



## **2014 PROGRESS REPORT**

**Secretariat of the Consultative Council  
on Improvement of Investment Climate under the  
President of the Republic of Tajikistan**

*Dushanbe – 2015*

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## INTRODUCTION

This report was prepared to inform on results of the activity of the Consultative Council's Secretariat on Improvement of Investment Climate under the President of the Republic of Tajikistan (further the " Consultative Council") for the reporting year of 2014.

Over the reporting period, the Secretariat of the Consultative Council focused on the following main areas:

- preparation and conducting Sessions of the Consultative Council and development of relevant documents on the issues under;
- monitoring the implementation of the Consultative Council's decisions;
- identification of the key issues on the improvement of investment and business climate proposed by the private sector (filtration process);
- public relations (PR) on the process of economic reforms within the framework of the Consultative Council's activities;
- selection process of the new members of the Consultative Council represented by private sector, development partners and foreign investors;
- cooperation with partners;
- conduction of economic analyses to identify problems and prepare recommendations on their elimination and improvement of investment and business climate in the country for further consideration in the Sessions of the Consultative Council;
- work towards the formation and development of Public-Private Dialogue at regional level;
- organizing, conducting and attending the round tables, seminars, forums and conferences. Participation in the working groups.

It should be noted that during 2014 in the framework of the Consultative Council's activity significant reforms were carried out regarding the improvement of investment climate on following priority directions:

- Improvement of the Tajikistan's indicators in the Doing Business Report of the World Bank Group and Approval of the Action Plan in this Direction;
- Improvement of Investment Climate in Tourism and Approval of the Action Plan in this Direction;
- Improvement of Investment and Business Climate in the Insurance Sector and Approval of the Action Plan in this Direction;

- Arrangement and Conducting the Meeting of the President of the Republic of Tajikistan with Entrepreneurs and Investors dated October 14, 2014
- Arrangement and Conducting the Economic and Investment Forum Dushanbe - 2014 under the Banner "Entrepreneurship-the Engine of the Economy
- Ratification of Hague Convention (the Apostille Convention on Abolition of Official Documents' Legalization Dated 1961) by the Republic of Tajikistan
- Establishment of Sovereign Credit Rating of the Republic of Tajikistan
- Development of Secondary Market for Securities and a Stock Exchange Market
- Improvement of Investment Climate in Industrial Sectors and Protection of Domestic Manufactures
- Improvement of Investment Climate in Agriculture and Development of Agribusiness
- Development of Public-Private Dialogue at National and Regional Level

This annual report consists of introduction, 10 sections, conclusion and appendices. Also each sections includes separate subsections informing on preparation and conducting Sessions of the Consultative Council, achievements of the Council in 2014, beginning reforms on different directions, monitoring the implementation of the Consultative Council's decisions, selection of the issues for consideration in the Session of the Council, cooperation with partners, selection of new members of the Consultative Council, round tables, seminars, forums and key priorities for 2015.

We hope that this report would comprehensively introduce our esteemed reader to the activity of the Secretariat of the Consultative Council on the Improvement of Investment Climate under the President of the Republic of Tajikistan in 2014.

## **1. ORGANIZATION OF SESSIONS OF THE CONSULTATIVE COUNCIL**

One of the main tasks of the Consultative Council and its Secretariat is to organize the sessions of the Consultative Council and review of important issues related to investment and business climate in the country. In 2014, the Council held the 13<sup>th</sup> and 14<sup>th</sup> Sessions.

### **1.1. Organization of the 13<sup>th</sup> Session of the Consultative Council**

**On May 30, 2014**, the Consultative Council on Improvement of Investment Climate under the President of the Republic of Tajikistan convened for the 13<sup>th</sup> Session.

Four issues of the investment and business climate were considered in the Session:

1. Update on implementation of Consultative Council's previous decisions.
2. Presentation of analysis and draft Action Plan in the insurance sector.
3. Ratification of the Hague Convention on abolition of public documents' legalization requirement.
4. Proposal for the next Session of the Consultative Council to focus on domestic producers and development of national manufacturing.

Prior to the beginning of the Session, the President of the country, the Chairman of the Consultative Council, His Excellency Emomali Rahmon introduced to the audience the new Head of Secretariat of the Consultative Council Mr. Numon Abdujaborov and newly elected members of the Consultative Council from among the private sector: Head of Agribusiness Association of Tajikistan – Mr. Shorahmatov Shorauf, Director of Limited Liability Company “Madina va Hamkoron” – Ms. Dodkhudoeva Nabot and Director of Limited Liability Company «Ghayur» - Mr. Ghulomov Akbar and wished them productive activity and success.

**According to the first issue** of the session's agenda, Mr. Qodiri Qosim, the Council's Executive Secretary and Chairman of the State Committee on Investment and State Property Management of the Republic of Tajikistan reported that Action Plans on tourism promotion and measures to strengthen indicators of the Doing Business have been already approved by the Government for implementation.

To raise the traveler services to international levels at the Dushanbe International Airport, the management of the airport adopted an internal plan to improve service standards and adopt Rules of attitude of the airport staff. The management also continues the renovation works and modernization of airport's equipment.

Meanwhile, Customs Services under the Government of the Republic of Tajikistan has also adopted a plan of action to improve the quality of service of customs' officials at the country's international airports.

The Ministry of Foreign Affairs opened a separate window to service exclusively tourism companies to facilitate and speed processing of tourist visa and other documents.

In addition, the Law of the Republic of Tajikistan "On State Protection and Support of Entrepreneurship" has been adopted and submitted for the development of relevant by-laws.

Related to the monitoring of the implementation of the Council decisions, representative from private sector in the Consultative Council, General Director of OJSC "Pamir Energy" - Daler Jumaev and member of the Council, Head of the European Union Resident Office in Tajikistan - Eduard Auer delivered speeches.

It was noted that simultaneously, some accepted Council's decisions are not implemented fully. Particularly separate points of «Program for Support of Construction Companies to Improve Investment and Business Climate in the Construction Sector for 2012-2014», which was adopted in the framework of activity of the Council were not implemented fully.

Also, it was underlined to strengthen the activity of some Regional Consultative Councils on improvement of investment and business climate in provinces, cities and districts of the country.

The Council highlighted the real support of development partners during the process of implementation of Council's decisions.

**Regarding the second issue** of the Session Minister of Economic Development and Trade – Mr. Sharif Rahimzoda presented Report of the Working Group on Development of the Insurance Sector and a Draft Action Plan of the Government of the Republic of Tajikistan on Improvement of Investment and Business Climate in the Insurance Sector.

**In concern with the third issue** of session First Deputy Minister of Foreign Affairs - Mrs. Rahmon Ozoda Emomali and Chairman of the National Bank of Tajikistan - Mr. Abdujabbor Shirinov reported on results of the process of ratification of the Hague Convention (the Apostille Convention of 1961) on abolition of mandatory legalization of foreign public documents in Tajikistan and establishment of the sovereign credit rating of the country.

**With respect to the next Session's agenda**, Mr. Qodiri Qosim, the Council's Executive Secretary proposed that the 14<sup>th</sup> Session of the Consultative Council review the investment climate in domestic industry.

The Chairman of the Council, the President of the Republic of Tajikistan instructed relevant ministries to form a working group to analyse the proposed agenda together with the private sector and development partners.

Also members of the Council, Head of Association of microfinance organizations of Tajikistan - Mr. Farhod Akbarov, Head of Resident Office of the World Bank in Tajikistan – Mrs. Marsha Olive and Head of Resident Office of International Finance Corporation in Tajikistan - Mr. Christopher Miller shared their views and recommendations on each of meetings topics.

**At the end of the Session President of Tajikistan, Chairman of the Council H.E. Emomali Rahmon delivered final speech.**

*The Head of State pointed out that the improvement of the investment climate and a comprehensive support to business development is among the primary objectives of the Government.*

*An important issue to improve the business environment was the analysis of the insurance sector, presented by the Ministry of Economic Development and Trade.*

*The insurance sector is an important component of the financial sector that can help remedy social and economic challenges of the market economy.*

*The insurance sector also plays a significant role in the formation and development of the capital markets, because insurance actors are one of the main buyers of government and corporate securities that help accumulate and invest funds in other sectors of the economy.*

*However, according to the expert analysis the share of the insurance sector in the country's GDP in 2013 was only 0.3 percent, which caused large expenditures of the state budget for disaster management and social support.*

*One of the main reasons of the insurance sector's insufficient development in the country is absence of competition, and the restrictions for private insurance companies to offer insurance services, including compulsory insurance, alongside the state-owned companies.*

*Since early 2014, 16 companies offered insurance services to people of the country, two of which are state-owned and 14 private-owned companies. At the same time two state-owned insurance companies have the share of almost 97 % of the insurance contracts concluded and 51% of the attracted insurance premiums, that is evidence of a high level centralization of insurance market and imperfect competition in it.*

*The experience of advanced economies shows that the implementation of the compulsory insurance by private insurance companies fosters competition in the insurance market, leads to the emergence of new services, and increases the quality and efficiency of the insurance companies.*



*At the same time, in order to sell compulsory insurance services, a private insurance company should meet modern insurance standards. A crucial factor of competitiveness of insurance sector is adequacy of capital and solvency of companies to pay claims on compensation of incurred losses.*

*Another current challenge is lack of highly qualified insurance professionals that deal with economic calculation of insurance tariffs and volume of insurance reserves to ensure solvency and financial sustainability of companies. Insufficient number of skilled professionals and industry experience in managing risks reduces effectiveness of insurance activities and competitiveness of the companies.*

*On the basis of the country's insurance sector analysis, a Draft Action Plan of the Government of the Republic of Tajikistan on improvement of investment and business climate in the insurance sector was developed and submitted to the Government.*

*This Draft Action Plan consists of a number of proposals, including creating space for competition, improving the legal framework for insurance services, strengthening the supervisory functions and increasing the competitiveness of the sector.*

*Implementation of the Action Plan would increase the insurance market in the social, economic and financial relations, provide a certain level of insurance coverage for businesses and citizens, and would thus serve as a mechanism for a more sustainable development.*

*Another step to improve the investment climate was the ratification of the Hague Convention (the Apostille Convention of 1961) on abolition of mandatory legalization of foreign public documents. Signatories to the Convention recognize one another's official documents without internal verification procedures. Similarly, for example, the Convention would ease and make less costly for Tajik labor migrants' document formalization in countries, member of the Convention.*

*Adoption of the Apostille Convention would reduce time and expenses of formalizing foreign investors' documents in Tajikistan as well as domestic entrepreneurs' documents when they invest abroad.*

*Another important issue discusses in the Council's Sessions is the process of establishing of a sovereign credit rating of Tajikistan.*

*Establishment of sovereign credit rating is important to attracting foreign capital as sovereign credit rating serves a key indicator of health and stability of the Tajikistan's economy.*

*Taking into account the aforementioned issues, a range of concrete instructions were given to relevant state authorities by the President of the country. Draft agenda of subsequent session of the Consultative Council was submitted by Executive Secretary of the Council.*

*Head of the Country emphasized that the industrial sector provides the basis for development of all countries and creates favorable preconditions for development*

*of other sectors. Industrial development would increase economic and political reputation of the state and presents the country as reliable partner.*

*As the result of implementation of Government efforts, strategies and programs of social-economic development as well as support of the private sector and improvement of investment climate it has been possible to put into operation hundreds of small and large manufacture and industrial processors.*

*However, due to various factors, including the imperfection of the legislation, lack of infrastructure and other reasons, natural resources of the country are not being fully used to improve people's lives.*

*Considering abovementioned points, it is necessary to implement a modern, market oriented industrial policy by improve regulatory and legal frameworks and improve institutional structures of the sector. The Government also needs to implement a comprehensive program to lend support to national producers.*

*Priority will be given to undertake a range of measures including increasing the competitiveness of the real sector of the economy in the industry sector through providing support for small and medium enterprises, establishment and development of industrial and financial zones and groups as well as creation of new industries.*

*As a whole, development of the national industry will promote the local consumption market, improve balance of foreign trade, diversify exports to create thousands of new jobs, to extend different sources of taxation and increase people's living standards in the country.*

*With respect to these objectives, for the purpose of development of industrial sector, supporting national producers of goods and development of domestic production, it is very important to conduct comprehensive analyses and prepare recommendations on the development of the industry.*

**The Chairman of the Council, the President of the Republic of Tajikistan Based have the following instructions and recommendations to the relevant agencies, officers in charge and development partners' representatives:**

1. Ministry of Economic Development and Trade:

- a) jointly with Ministry of Finance and other relevant bodies undertake necessary measures to implement compulsory insurance services by private insurance companies, excepting compulsory state insurance, as well as expanding the number of companies that are engaged in implementation of compulsory insurance services.
- b) submit draft Action Plan of the Government of the Republic of Tajikistan on Improvement of Investment and Business Climate in Insurance Sector

in accordance with the defined procedures to the Government of the country;

- c) establish a working group consisting of representatives of ministries and agencies, private sector with the support of development partners to develop draft Law of the Republic of Tajikistan “On Insurance” in a new edition. Coordinate and adopt this draft law in accordance with the defined timeframe.

2. Ministry of Education and Science of the Republic of Tajikistan jointly with Ministries of Finance, Economic Development and Trade conduct necessary measures in regard with review the education system and curriculum on insurance to bring graduates training in compliance with the contemporery requierments of the insurance market.

3. First deputy of Prime Minister of the Republic of Tajikistan, State Committee on Investment and State Property Management jointly with the Secretariat of the Consultative Council on Improvement on Investment Council under the President of the Republic of Tajikistan in cooperation with Ministries of Economic Development and Trade, Finance, business associations undertake necessary measures to conduct a meeting of the President of the country with the national and foreign entrepreneurs, operating in Tajikistan at a high level on October of 2014 year by establishing an organizational committee.

4. Ministries of Foreign Affair, Justice and Finance undertake necessary measures for completion of procedure of ratification of the Hague Convention or the Apostille Convention on abolition of official documents’ legalization dated 1961 by the Republic of Tajikistan and submit information on its results.

5. National Bank jointly with other relevant ministries and agencies with support of development partners establish a sovereign credit rating of by a world-class rating agency and present results of the credit assessment.

6. Ministry of Industry and New Technologies of the Republic of Tajikistan jointly with the Ministries of Agriculture, Economic Development and Trade, State Committee on Investment and State Property Management, Main Department of Geology and other relevant ministries and agencies, private sector with support of development partners establish a working group as well as conduct comprehensive analysis on the improvement of investment climate in sectors of the industry, supporting domestic producers and development of national production and submit the results with concrete recommendations.

7. Submit to the next Session of the Consultative Council on Improvement on Investment Council under the President of the Republic of Tajikistan report of Chairman of the Consultative Council on Improvement of Investment Climate in Khatlon Province on activity of the Regional Council as well as the report of Chairman of the Committee on Construction and Architecture under the Government of the Republic of Tajikistan on progress of implementation of

«Program for Support of Construction Companies to Improve Investment and Business Climate in the Construction Sector for 2012-2014» .

8. It was recommended that the development partners:

- a. broaden their assistance on rising capacity of companies, language skills, legal culture and economic knowledge of entrepreneurs, particularly in development of investments projects and business plans, analysis of important issues of investment business climate as well as support private sector in general;
- b. strengthen their activity on supporting implementation of reforms, particularly on improvement of investment climate in tourism and insurance sectors, establishment of secondary market for securities and a stock exchange market and enhancing position of the country in international ranking;
- c. help to effectively implement the Action Plan of the Government of the Republic of Tajikistan on Improvement of Investment and Business Climate in Insurance Sector, particularly in strengthening of institutional structure and establishment of Association of National Insurance Institutions in accordance with the international experience, organizing training courses for preparing insurance actuaries by involving international experts.

9. Nomination of Numon Abdujaborov as a Head of Secretariat of the Consultative Council on Improvement of Investment Climate under the President of the Republic of Tajikistan to be approved.

10. The authority of former Head of Secretariat of the Consultative Council on Improvement of Investment Climate under the President of the Republic of Tajikistan Zavkijon Zavkiev, due to the transfer to another position should be terminated.

11. Nomination of the Head of Agribusiness Association of Tajikistan – Shorahmatov Shorauf, Director of Limited Liability Company “Madina va Hamkoron” – Dodkhudoeva Nabot and Director of Limited Liability Company «Ghayur» - Ghulomov Akbar, as the Council's new members from the private sector to be approved.

The authority of the Consultative Council members from the private sector: General Director of OJSC “Pamir Energy” - Daler Jumaev, Head of Business Association of Sugd Province - Masuda Tyuraeva and Chairman of LLC “K.Davron” - Bahrom Rustamov, due to the end of their term should be terminated.

## **1.2. Preparation and convention of the 14<sup>th</sup> Session of the Consultative Council**

On November 17, 2014 - the 14<sup>th</sup> Session of the Consultative Council on Improvement of the Investment Climate under the President of the Republic of Tajikistan was held under the chairmanship of the Head of the Council, President of the Republic of Tajikistan Emomali Rahmon. The Council considered five issues related to the investment and business climate:

1. Update on the implementation of decisions of the Consultative Council on Improvement of Investment Climate under the President of the Republic of Tajikistan.
2. Activities of the regional Consultative Council on Improvement of Investment and Business Climate in Khatlon Province.
3. Implementation of the Program on Support of Construction Companies on Improvement of Investment and Business Climate in Construction Sector for 2012-20.
4. Presentation of results of analysis on development of secondary market for securities and stock exchange in Tajikistan.
5. Draft Agenda for the next Session of the Consultative Council on improvement of investment climate in agriculture and development of agribusiness in Tajikistan.

The Chairman of the Council - the President of the Republic of Tajikistan, His Excellency Emomali Rahmon opened 14<sup>th</sup> Session of the Consultative Council and remarked improvement of investment climate in Tajikistan through establishment of public and private sector regular dialogue as well as implementation of prioritized projects in different areas of the economy.

In October 2014, the Government of Tajikistan organized a Meeting of the President of the Republic of Tajikistan with the entrepreneurs and investors, followed by the first Economic and Investment Forum “Dushanbe-2014: Entrepreneurship - the Engine of the Economy“. Range of prestigious international organizations, business and investors from 35 countries attended the International Forum.

During the events, a number of agreements, memoranda and resolutions of the Forum have been adopted that would promote mutually beneficial cooperation between national and foreign entrepreneurs and investors.

The Chairman of the Council, His Excellency Emomali Rahmon welcomed the President of the European Bank for Reconstruction and Development, Sir Suma Chakrabarti, who was presented in the Session, as well as has highly appreciated the share of the bank in implementation of economic reforms and investment in infrastructure projects.

Sir Suma Chakrabarti – the President of the European Bank for Reconstruction and Development, who spoke on the future role of the bank in development of the economy as well as improvement of investment and business climate in Tajikistan, implementation of a number of reforms in energy, finance, reconstruction of roads, development of trade and business support.

**Related to the first agenda item**, Mr. Qodiri Qosim, the Council’s Executive Secretary and Chairman of the State Committee on Investment and State Property Management of the Republic of Tajikistan reported that decisions of previous Council meetings are being implemented by responsible persons and authorized ministries and agencies.

In particular, draft Action Plan of the Government of the Republic of Tajikistan on improvement of investment and business climate in the insurance sector has been submitted for consideration to Government of the country. The draft Law of the Republic of Tajikistan “On Insurance Activity” in a new edition is being developed.

The Hague Convention (the Apostille Convention on abolition of legalization foreign public documents from 1961) has been ratified by Majlisi Namoyandagoni Majlisi Oli (lower chamber of the Parliament) of the Republic of Tajikistan on October 29 this year.

For the purpose of establishment of sovereign credit rating of Tajikistan cooperation has been arranged by the National Bank of Tajikistan with international rating agencies Standard & Poor’s and Moody’s, as the result of which a draft evaluation was expected for the assigning sovereign credit rating to Tajikistan.

With the respect to implementation of decisions of the Council, Head of Tajikistan Agribusiness Association - Mr. Shorahmatov Shorauf and the Head of Representation Office of International Financial Corporation in Tajikistan - Mr. Christopher Miller have made their speeches. They emphasized that Tajikistan has been recognized as a top-reformer country in the list of 10 countries of the world once again, which would further enhance confidence of foreign investors to invest in the country.

The Chairman of the Council, the President of the country, His Excellency Emomali Rahmon was expressed appreciation with respect to the share of the private sector and efforts of their representatives in works regarding the prosperity, construction of various industrial, residential and cultural facilities, establishment of manufactures, creation of thousands jobs, social support to the neediest populations as well as increasing the welfare of the country people.

Simultaneously, the Council noted the necessity of a comprehensive mechanism that would increase government’s responsibility and assistance to the private sector initiatives.

**On the second agenda item**, the Council heard report of the chairman of the regional Consultative Council on improvement of investment and business climate in Khatlon Province - Mr. Davlatsho Gulmahmadzoda.

In concern with this issue, Chairman of the Council, the President of the country, His Excellency Emomali Rahmon noted that doing business is being improved year by year in the Province. However, in spite the economic opportunities of the Province; such opportunities are not fully used by local entrepreneurs and foreign investors.

Therefore solving issues that currently prevent the development of business in the Province should be the initial task of the Council under the Chairman of the Province.

**With respect the third item** of Session, Chairman of Committee on Architecture and Construction under the Government of the Republic of Tajikistan, Mr. Abduvali Komilzoda has made a report on the process of implementation of the Program on Support of Construction Companies on Improvement of Investment and Business Climate in Construction Sector for 2012-2014.

According to this issue Chairman of the Council, President of the country noted that civil construction sector is growing in recent years and a number of vital facilities including big, small and medium hydropower stations, transmission lines, road works, big tunnels for vehicles, railway, hundreds of residential, cultural and educational facilities have been built and put into operation.

However, some challenges still existed during the construction, facilitation of which would be important for the economy as well as for investors interested in the construction sector of the country.

**The fourth agenda item** raised the matter of the establishing of a secondary market and a stock exchange in Tajikistan. The Chairman of the National Bank of Tajikistan, Mr. Abdujabbor Shirinov presented the results of the Working Group on the development of the secondary market and stock exchanges together with the draft Action Plan of the Government of the country in this area.

Also in regard with this issue the Chairman of Tajikistan Bank Association, Mr. Izatullo Lalbekov had a speech and expressed his opinion on the share of private sector in development of secondary market for securities and stock exchanges.

**The last issue** of the session's agenda, Mr. Qodiri Qosim, the Council's Executive Secretary, proposed for the next agenda for the Consultative Council session the issue on improvement of the investment climate in agriculture and development of the agribusiness in Tajikistan. The proposal was approved by all members of the Council.

The Chairman of the Council, the President of the Republic of Tajikistan was asked to give instruction for establishing of a working group consisting of the representatives of relevant ministries and agencies, private sector with the support of development partners on conducting analyses and submitting recommendations regarding this issue.

**The President of the Republic of Tajikistan, Chairman of the Council H.E. Emomali Rahmon delivered a closing speech.**

The President of the country summarized the issues of session agenda, and expressed his opinion regarding each issue.

*Also it was noted that, Operation of the Consultative Council on Improvement of Investment Climate is an important tool to foster reforms on improvement of investment climate and it became a platform for open and regular dialogue between the public and private sectors.*

*The Government of the Republic of Tajikistan identified the development of private sector and investment as one of priorities in its economic policy within the longterm development strategy and continues to pay attention to this issue.*

*During the current year we have hosted a number of politically, economically and socially important international events in the country this year.*

*For instance, we hosted the Meeting of Heads of SCO member states and Business Forum of business of the Organization's member states in September in Dushanbe, meeting of the President of the Republic of Tajikistan with Entrepreneurs and Investors and for the first time, we have conducted Economic and Investment Dorum of Dushanbe 2014 as well as Investment forum of OIC for Central Asia and other national and international events.*

*The objective of these events was development and strengthening mutually rewarding economic cooperation and to ensure conducive environment for entrepreneurs and investors.*

*Currently, the private sector's challenges are evaluated as the national economy challenges and following up and eliminating those challenges is one of the important tasks of the Government of the Republic of Tajikistan.*

*At the current stage of economic growth of Tajikistan, public and private sectors, and civil society should be proactive in implementation of priorities identified by the country's Government.*



*In this regard, public-private dialogue should make significant contribution in improvement of investment climate through consultative councils at the national and regional levels.*

*It should be noted that, currently Consultative Councils on improvement on investment and business climate are being created under the Chairman of GBAO, Sughd and Khatlon provinces, Farkhor district, Kulob, Istaravshan, Isfara, Panjakent cities and Rasht Valley and contribute to the strengthening of public-private dialogue at the regional level.*

*Conducive legal environment was created for the establishment of these councils on the basis of the Law of the Republic of Tajikistan “On State Protection and Support of Entrepreneurs”.*

*The major objective of the regional consultative councils is to ensure an enabling environment for business and to attract more investments into the economy of districts and towns.*

*In the framework of this measure the Chairman of the Khatlon Province Regional Council on Improvement of Investment Climate delivered speech in session.*

*It should be noted that the current situation of doing business and investment climate in the region is below its potential, despite the fact that there are ample opportunities. Entrepreneurs still face problems, which results one the one hand from failure to comply with legislation by local state bodies, and on the other hand by the low of legal and economic skills of the population.*

*For example, the major sector of the economy of Khatlon province is the agriculture, and its major product is cotton, fruits and vegetables. But, these agricultural products are almost fully exported as raw materials.*

*At the same time, businesses opportunities in the sectors of industry, establishment of small and medium manufacturers and development of tourism are similarly under utilized.*

*Therefore, the objective should be to foster small and medium processing companies in the areas of industry and processing of agricultural products, their preservation and storage and production of final products.*

*Another important issue in the province like in other regions of the country, is allocation of land plots for the industry. Entrepreneurs wait for a long time to get response to their application for allocation of land for industrial construction, and in majority of cases, they cannot get land plots, which negatively impacts job creation and economic growth of the province.*

*This issue depends on the local authorities on the one hand and on the State Committee for Land Management and Geodezy on the other hand, due to which application reviews are delayed in the majority of cases.*

*Also, the province is also weak in attracting investments, including domestic and foreign investments and implementation of public investment projects.*

*Another issued we discussed today, is the process of implementation of the program on support of construction companies for improvement of investment climate in the construction sector for 2012 -2014, about which we have heard the presentation of the Chairman of Construction and Architecture Committee under the Government of the Republic of Tajikistan.*

*It should be outlined that significant achievements are made as a result of implementation of the Program in the construction sector and the change of the capital city and other towns and districts of the country is a good prove of this.*

*For instance, by adopting Urbanplanning Code, a number of legal and regulatory documents aimed at simplification of the procedures and reduction of the cost of regulation of the operation of construction companies were developed and adopted.*

*Nevertheless, there are still a lot of shortcomings and challenges in the construction sector and it is necessary to continue reforms in this area.*

*One of the important issues of construction is obtaining license to start construction activities. According to the global best practices one of the effective tools for simplification of construction licensing procedure is to introduce Single Window system, which can significantly reduce the time and quantity of procedures regulating operation of construction companies in the country.*

*As it was already noted in this direction the reform is begun and it is necessary to speed it up.*

*It should be noted that currently the experts identified the procedure of obtaining license for construction to be difficult and earlier I mentioned that we have started reform in this areas and it is necessary to accelerate it.*

*It should be outlined that currently in the country the process of obtaining license for construction companies is difficult, the Republic of Tajikistan is in the low level in Dealing with Construction Permits' indicator.*

*Therefore, it is necessary to undertake necessary measures to introduce the Single Window system for construction licensing and to improve the indicators of Tajikistan in the World Bank Doing Business Report.*

*One of the major issues, we discussed today, is the results of analysis on development of secondary security market and stock exchange in Tajikistan,*

*regarding this issue have heard presentations of both public and private sector representatives on this issue.*

*It should be outlined that secondary security market and stock exchange is one of the important aspects of the financial sector of the country's economy and can lay a solid ground for attraction of free capital and their investment into other sectors of economy.*

*Disregard the fact that the majority of financial and monetary indicators of the country have been increasing, one of the real reasons for underdevelopment of the secondary security market and stock exchange is first of all is improper legal framework and institutional structure of the sector. Solution to these issues would further increase the trust of public and domestic and foreign investors into the country's banking and financial system.*

*The world's experience shows that the state plays a key role in the development of security market. Stock exchanges develops mainly based on the development of the market of public securities issued by the Ministry of Finance and the National Bank. One of the ways to strengthen the development of securities market is to ensure trade of public securities with the market prices and different maturity terms.*

*This action would encourage business entities to introduce their stocks in the open market and would ensure real framework for transaction with their securities in stock exchanges.*

*One of the main factors impeding the development of secondary securities market in the country context is the systemic operation of joint stock companies.*

*The international best practice in this area makes us pay necessary attention to development of the securities market as an important source of accumulation of free capital and investment.*

*Overall, the issues associated with the development of secondary security market include underdeveloped infrastructure, lack of information and other issues need to be addressed thoroughly.*

*Therefore, according to the decision made at the 12<sup>th</sup> Session of the Consultative Council the Working Group conducted analysis and developed draft Action Plan of the Government of the country on development of secondary security market and stock exchange.*

*Regarding the last issue of Session' Agenda the President of the country outlined that the agriculture is one of the important sectors of our national economy and one of the Government' strategic objectives is to ensure food security in the country, improvement of economic situation, achievement of which depends on the development of agriculture.*

*Recently, a number of important and serious reforms have been implemented in the agriculture sector, the major objective of which is to restructure the sector, to*

*create new jobs, to improve competitiveness of agricultural products, to focus on their export and thereby to ensure food security in the country.*

*With a view to constantly developing the agriculture sector, including improving the culture of arable land use and its effective and rational use and obtaining 2-3 harvests a year, Government of the Tajikistan adopted and implemented several state programs.*

*But, as we see from the analysis of the process of implementation of activities on food security, undertaken measures and the process of their implementation is still not sufficient. Because, the country's consumer market is still significantly dependent on imported food products.*

*Full reform of the agricultural sector will make it possible to ensure country's food security based on the effective economic policy and proactive participation of the private sector in the agriculture and agribusiness.*

*Alongside with the issues discussed in the Session, another emphasized issue, is solution to which is important for the country's investment reputation.*

*This is large-scale publicity of the country's investment climate at the global level, strengthening cooperation and providing accurate and encouraging information about the country's investment potential and thereby improve the country's reputation at international level.*

*In this regard, reputable media of the world as well as United World, Financial Times and other are already coming to Tajikistan, getting information about the economic situation in the country and its investment opportunities and publishing it. However, this is not sufficient for full promotion of the country's economic potential.*

*Tajikistan as a country committed to methods and principles of economic integration, stands ready for constructive and strong cooperation with countries of the world at the bilateral level and within International organizations, including financial organizations and it constantly runs open doors policy in its foreign policy.*

*Currently, we run successful cooperation with all countries of the region and the world at all levels and Tajikistan stands ready will continue making efforts in effective economic cooperation.*

*In this regard, contribution of financial organizations, including the World Bank, European Bank for Reconstruction and Development, Asian Development Bank, Islamic Development Bank, International Monetary Fund and other reputable international agencies in terms of investment and implementation of regional investment projects and agreements is in line with interests of not only Tajikistan, but also all countries of the region.*

*Over the last years cooperation between the Government of the Republic of Tajikistan and financial international organizations and Development Coordination Council in achievement of Millenium Development Goals, particularly, in improvement of level and quality of public living standards have provided significant results. During this time, the level of poverty in our country has decreased from 81% to 35%.*

*All of these make it possible to believe that we can achieve better results in terms of economic reforms and attraction of investments through constructive cooperation with development partners and coordination of our initiatives.*

**Based on mentioned points Chairman of the Council, the President of the Republic of Tajikistan gave the following instructions and recommendations to relevant agencies, officers in charge and development partners' representatives:**

1. Executive Secretary and Secretariat of the Council control over progress of the Consultative Council decisions' implementation and undertake effective measures on their full and qualitative performance.
2. Ministry of Finance:
  - jointly with the National Bank provide regular issuance and sale of government securities at market prices as well as submit information on its result to the Government of the country;
  - jointly with National Bank take into account issues of providing favorable conditions for establishment of joint-stock companies and introduction of modern corporative management methods, arrangement of systematic and effective activity of stock exchanges in Tajikistan, phased promotion of national companies' shares to international stock exchanges and other important aspects of the sector in the framework of reform on market for securities;
  - jointly with National Bank pay special attention to aspects of market for government securities development as well as strengthening market for corporative securities in Draft Action Plan of the Government of the country on development of secondary market for securities and stock exchanges.
3. Ministries of Finance, Justice and National Bank of Tajikistan jointly with other relevant ministries and agencies undertake necessary measures regarding the improvement of legislation framework on market for securities and stock exchanges as well as its institutional structure.
4. National Bank improve draft Action Plan of the Government of the Republic of Tajikistan on Development of Secondary Market for Securities and Stock Exchange taking into account proposals and suggestions expressed at today session and submit it in accordance with the defined procedures to the Government of the country.

5. Ministries of Economic Development and Trade, Finance, and the State Committee on Investment and State Property Management and other relevant ministries and agencies jointly with executive government authorities of Khatlon Province undertake measures on more attraction of investments to the economy of the province taking into account real province needs during development and implementation of state investment project, including return of abandoned and unused land plot into agricultural turnover.
6. State Committee of Land Management and Geodesy, other relevant ministries and agencies and executive government authorities of Khatlon Province submit justified and comprehensive suggestions to the Government of the country regarding the simplification of procedures of allocating land plots for construction of industrial enterprises.
7. Executive Government authorities of Khatlon Province:
  - undertake practical measures for improving and making effective activity of the Province Council on improvement of investment climate, its secretariat and conducting regular session of the council;
  - undertake necessary measures for establishment of small and medium manufactures in the industrial sectors and procession of agriculture products, its provisioning and storage as well as production of final goods in cooperation with relevant ministries and agencies, private sector through the attraction of domestic and foreign capital and submit information on its result to the Government of the country;
  - undertake necessary measures for exchanging experience of Yovon district on establishment of industrial enterprises and creation of new jobs in other districts of the province taking into account local raw materials resources, wide usage of economic opportunities border crossing Panji Poyon, arrangement of mutual cooperation with SE “Entrepreneurship Support Fund” as well as providing favorable conditions for entrepreneurs and arrangement regular cooperation with them in general;
  - undertake measures on following new directions of economic development of the province, particularly in agriculture, industry, energy and tourism and in this basis creation of new jobs and increasing the wellbeing of the people.
8. Executive Government authorities of GBAO, Khatlon and Sugd Provinces, cities and districts of the country establish consultative councils on improvement of investment and business climate under chairmen of the cities and districts in cooperation with private sectors as well as provide all necessary conditions for their purposeful activity.
9. Ministries of Agriculture, Economic Development and Trade, State Committee on Investment and State Property Management establish a working group consisting of representatives of relevant ministries and agencies, private sector and with support of development partners as well as conduct comprehensive analysis on improvement of investment climate in

- agriculture and agribusiness development and submit its results to the subsequent sessions of the Council.
10. Committee on Construction and Architecture under the Government of the Republic of Tajikistan jointly with relevant ministries and agencies with the support of development partners undertake necessary measures on introducing the “Single Window” for getting construction permit as soon as possible as well as improvement of the Tajikistan’s indicators in the “Doing Business” Report of the World Bank Group and submit information on its result to the Consultative Council.
  11. Ministries of Foreign Affairs, Economic Development and Trade, State Committee on Investment and State Property Management, Chamber of Commerce and Industry, Tajikistan embassies and trade representation offices abroad undertake regular measures regarding the wide presentation of country investment opportunities through national and foreign Mass Media and arrangement of various promotion events.
  12. It is recommended to the development partners that:
    - Take active part in implementation process of the Council’s decisions and undertake necessary measures regarding the increasing effectiveness of their project as well as economic and financial effectiveness of them;
    - Undertake practical measures for strengthening activity on making appropriate projects of development partners to economic interests of the Tajikistan economic interests of the Tajikistan as well as putting first national priority of the country while projects implementation.
    - promote to enhance the institutional structure of secondary market for securities and stock exchanges in accordance with the best world practice in order to arrange effective activity of stock exchanges, exchange of knowledge, experience and information, support of measures on promotion as well as training professionals of the sector;
    - assist to arrange different events regarding the wide presentation of investment opportunities of the country through national and foreign Mass Media.

## **2. ACHIEVEMENTS OF THE CONSULTATIVE COUNCIL IN 2014**

A number of issues related to the investment and business climate were considered in the framework of the Consultative Council in 2014. The effective implementation of the decisions undoubtedly contributed to strengthening of the national economic in the recent years.

### **2.1. Development and Approval of the Action Plan of the Government of the Republic of Tajikistan on Improvement of the Tajikistan's indicators in the World Bank Group's Doing Business Report**

A Draft of Action Plan of the Government of the Republic Tajikistan on Improvement of Tajikistan's Indicators in the Doing Business Report of the World Bank Group was developed by Secretariat of the Consultative Council together with State Committee on Investment and State Property Management of the Republic of Tajikistan and by involving the private sector.

This Draft of Action Plan includes a number of measures on simplification of all procedures regarding the doing business including starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency.

Draft of Action Plan of the Government on Improvement of Tajikistan's Indicators in the Doing Business Report has been coordinated with relevant ministries and agencies and has been approved by the Resolution of the country Government dated May 3, 2014, # 300. It should be noted that effective implementation of the Action Plan would give a major boost to the improvement of investment and business climate in the country.

Between May 27 and June 4, 2014 a Mission of Experts of Doing Business Report of the World Bank arrived in the Republic of Tajikistan with the purpose of discussing the reforms and achievements of the Government in strengthening of the investment and business climate.

A Mission of the World Bank together with representatives of Secretariat of the Consultative Council and State Committee on Investment and State Property Management of the Republic of Tajikistan met with representatives of a range of ministries and agencies, particularly Ministry of Economic Development and Trade, State Committee on Land Management and Geodesy, Committee of Construction and Architecture, Tax Committee, Tojikstandart Agency, Custom Service and National Bank of Tajikistan.



Particularly reforms regarding establishment and full implementation of “One Stop Shop” for registration of business entities under the Tax Committee, “Single Window” for connections with the engineering system under the Committee of Construction and Architecture, establishment of SUE “On Real Estate Registration” under State Committee on Land Management and Geodesy on base of merging of SUE “Markazi Zamin) and SUE State Land Use Committee affiliate with implementation of “Single Window” for state registration of real estate, development and accepting the draft Law of the Republic of Tajikistan “On Introduction Amendments and Modifications to the Law of the RT “On Pledge of Movables» in the framework of activity of the Working Group on improvement of investment climate under the National Bank, implemented reforms on reducing of number of taxes and simplification of tax administration, “Single Window” system on export, import and transit procedures under the Custom Services have been assessed as significant reforms.

It should be noted that World Bank experts Mission and Team of the Doing Business report of World Bank highly appreciated the reforms and country’s achievements on improvement of business and investment climate, as well as operation of state bodies on processing of implementation of this reform.

At the same time as a result of a video conference conducted between representatives of Secretariat of the Consultative Council and the Expert of Doing Business Team decided to review the list of Doing Business Report contributors by the Republic of Tajikistan.

It should be pointed out that as the result of effective cooperation with World Bank experts Mission and Team of the Doing Business report of World Bank as well as implementation of continual reforms on improvement of investment and business climate, Tajikistan has been recognized in the Doing Business -2015 Report as a best reformer country for the third time. At the Round Table on Presentation of Reforms’ Results on Improvement of Investment and Business Climate on December 18, 2014, Tajikistan has been awarded with Certificate of the best reformer country by the World Bank as a sign of recognition of significant reforms among the 189 countries worldwide. This award will further enhance the confidence of the foreign investors to do business in the country.

## **2.2. Development of the Action Plan of the Government of the Republic of Tajikistan on Improvement of the Investment Climate in Tourism**

Another direction of reforms in the framework of the Consultative Council on Improvement of Investment Climate under the President of the Republic of Tajikistan is reform in the tourism sector. According to the instruction of the Chairman of the Consultative Council on 10<sup>th</sup> Session of the Consultative Council, the State Committee on Investment and State Property Management and Committee on Tourism, Youth and Sports Affairs were tasked to conduct analysis of tourism sector together the private sector and development partners.

An inter-ministerial Working Group on improvement of investment climate in tourism was established to lead the review of tourism sector development.

Based on studies and expert evaluation, the working group prepared “A Model of Tourism Development in Tajikistan” delineating comprehensive recommendations to remove barriers for tourism development in the country. A draft Action Plan of the Government of the Republic of Tajikistan on Improvement of Investment Climate in Tourism development was submitted to the Government.

The aforementioned model consists of three main aspects – marketing, access and product development that in their turn, divide into ten main parts – market research; promotion; sales; customer retention; transport and borders; visas, licenses and permits; tourism product portfolio; quality; training and statistical data and information. The model includes 49 recommendations on tourism development in Tajikistan.

After presentation of the results of the inter-ministerial working group on the 12<sup>th</sup> Consultative Council, the President instructed relevant ministries and agencies to review the Draft Action Plan of the Government of the Republic of Tajikistan on Improvement of Investment Climate. The action plan was subsequently approved by Resolution #301 of the Government of the Republic of Tajikistan on May 3, 2014.

Experts expect that full implementation of approved Action Plan of the Government of the Republic Tajikistan on Improvement of Investment Climate in Tourism would contribute up to 5% of GDP and its indirect effects by up to 15% of GDP due to the development of other sectors of the economy by 2020.

### **2.3. Organization of the Meeting of the President of the Republic of Tajikistan with Entrepreneurs and Investors on October 14, 2014**

In preparation to the Meeting of the President of the Republic of Tajikistan with Entrepreneurs and Investors at the high level, the Secretariat helped put in place a structure of the Organizational Committee for approval by the President of the Republic of Tajikistan on July 14, 2014. Specifically, the Secretariat contributed to the Action Plan of President’s meeting with entrepreneurs and investors. In addition, a concept of the Investment Forum Dushanbe -2014 “Entrepreneurship – the Engine of the Economy” had been developed and promotion of the two events arranged through Mass Media. Importantly, the Secretariat has provided an analysis of business environment for the President’s meeting with Entrepreneurs and Investors to guide the discussion.

On October 14, 2014, the President of the Republic of Tajikistan, His Excellency Emomali Rahmon, met with entrepreneurs and investors was held at Dushanbe "Kokhy Borbad" State Complex. More than two thousand national

and foreign entrepreneurs and investors, representatives of international institutions, business associations, banks, scientists and experts attended the event.

In the meeting a comprehensive analysis of business and investment climate was submitted by President of the country. In his speech the President called for strengthening reforms on improvement of investment and business climate in national industrial sectors, technical and technological modernization of industrial manufactures, complete processing of local raw material, production of competitive and meeting international standards final products, development of export capacity of the economy. He encouraged more capital inflow, emphasized long-term priorities of investment as well as exchange information, best international experience on development of national and foreign entrepreneurs and investors cooperation, and ways of empowerment of rights and opportunities of national and foreign entrepreneurs to promote manufacturing and processing of domestic raw materials.

At the same time concerning the Meeting of the President of the Republic of Tajikistan with entrepreneurs and investors, the State Committee on Investment and State Property Management jointly with relevant ministries and agencies conducted a number of meetings with the entrepreneurs and investors in provinces and regions of the country, including Khatlon and Sugd Provinces, Rash Valley, districts under republican subordination and gave their point of views and ideas for considerations.

The President of the country expressed his point of view in regard with results of reforms, improvement of macroeconomic indicators and ensuring sustainable economic growth and stressed the important role of the private sector in ensuring sustainable economic growth of the country, prosperity, raising the level of well-being of country people as well as stressed his involvement and special attention to the strengthening Public-Private Dialogue.

Simultaneously, the President of the country expressed his gratitude to entrepreneurs and business community for their share in the economic development of the country, strengthening economic background of state independence, establishment of enterprises and creating jobs, reducing the poverty rate in the country, supporting those in need, prosperity of motherland as well as assured that entrepreneurs with high sense of responsibility and patriotism will contribute significantly in development of the country and raising the level of well-being of people.

After completing his speech the President of the country His Excellency Emomali Rahmon responded to numerous questions and requests of national and foreign entrepreneurs and investors attending the meeting from all over the country and abroad.

In turn entrepreneurs expressed their proposals on enhancing economic reform process and business development in the country.

In the result of the Meeting of the President of the country with entrepreneurs and investors, an Action Plan was adopted on October 31, 2014 and would be implemented by relevant ministries and agencies of the country.

#### **2.4. Organization of Economic and Investment Forum “Dushanbe-2014: Entrepreneurship - the Engine of the Economy” on October 15, 2014**

On October 15, 2014, Economic and Investment Forum “Dushanbe-2014: Entrepreneurship - the Engine of the Economy“ was held in Dushanbe at the National Library of the Republic of Tajikistan with participation of the President of the Republic of Tajikistan, His Excellency Emomali Rahmon.

The forum is primarily intended to help improve the investment climate and an even greater investment in the national economy, as well as foster cooperation and partnership among national and foreign entrepreneurs and investors in sectors such as energy, industry, infrastructure, banking, finance, agriculture and tourism. The goal of the forum was to facilitate technological modernization of industrial manufactures, promote processing of local raw material, and achieve competitiveness in international markets and development of export capacity. The Forum was attended by more than 500 national and foreign entrepreneurs and investors, representatives of a range prestigious international organization such as United Nations Organization, World Bank, International Financial Corporation, Islamic Development Bank, Asian Development Bank, diplomatic representatives of the countries worldwide, experienced scientists and skilled experts, powerful enterprises and economic entities as well as heads of a range of state authorities.

Also Mr. Masaru Honma, the EBRD Regional Director for Central Asia, Mr. C. C. Yu, Head of Development Partners’ Coordination Council, Mr. Pavel Lavrov, General Director of JSC “Sangtuda-1”, Mr. Chen Yin Xiang, General Director of Tajik-China Mining Company Ltd. and Mr. Frederic Lobbe, General Director, Schiever Tajikistan have spoken during the opening of the Forum.

The work of the Forum was arranged in 5 separated sections and participants delivered their reports in regard with issues on ”Development of Sustainable Finance System”, “Investing in Energy”, “Development of Industrial and Services Sectors through Entrepreneurship”, “Investing in Transport Connectivity”, “Opportunities and Competitive Advantageous in Agribusiness”.

Four memorandums have been signed during the Forum and results have been summarized:

- Memorandum between State Committee on Investments and State Property Management of the Republic of Tajikistan and Singapore on cooperation on methanol research.
- Memorandum of cooperation between Ministry of Health and Social Protection of the Republic of Tajikistan and Association medicine societies on quality of Russian Federation on development education medicine system through Public Private Partnership mechanism.
- Memorandum between Unique State enterprise of Tajik Aluminum Company and Glenore International Company of Switzerland.
- Memorandum between State Committee on Investments and State Property Management of the Republic of Tajikistan and Representative of Organization Security and Cooperation in Europe on establishment of business-incubators.

## **2.5. Development of Public-Private Dialogue at National and Regional Level**

To promote dialogue between government and private sector at sub national level, regional consultative councils were established at administrations of Gorno - Badakhshan Autonomous Province, Khatlon and Sugd Provinces, Rasht Valley, in cities of Kulob, Istaravshan, Isfara and Panjakent, as well as in Farkhor districts.

During the reporting year, regional councils continued their activities towards creating an enabling environment for businesses and to attract more investments into the economy of cities and regions, advance local reforms, and evaluate the results in the field.

In this context, the activities of the regional councils are based on the experience of the National Council. Matters that fall outside the jurisdiction of the regional councils can be submitted to the National Council for further consideration.

### **▪ Consultative Council on Improvement of Investment and Business Climate in GBAP Province**

On August 6, 2014, the 6<sup>th</sup> Session of the Consultative Council in Gorno-Badakhshan Autonomous Province was held addressing the following issues:

- Report on the implementation of the 5th Session (Development of tourism);
- The analysis, conclusions and suggestions for the development of cross-border with Afghanistan;
- Preparations for the forum Pamir Invest 2014;
- Review of proposed agenda for the next meeting of the Council.

At the end of the meeting, Deputy Chairman of the GBAP Province Isrorov Isror taking into account the discussion of the meeting gave relevant instruction to representatives of responsible state authorities.

▪ **Consultative Council on Improvement of Investment and Business Climate in Khatlon Province**

On July 18, 2014 the 5<sup>th</sup> session of Khatlon Consultative Council took place. The Council discussed:

- A report on implementation of decisions of the 4<sup>th</sup> session of the Consultative Council and activity of the Council Secretariat;
- Consideration of recommendations and suggestions of the Working Group on Tax and Statistic reporting on "Progress in implementation of new Tax Code";
- Discussing member's suggestions and topics for review in the 6<sup>th</sup> session of the Consultative Council;
- Approval of the Activity Plan of the Council for the second half of 2014.

During the 5<sup>th</sup> session of the Khatlon Consultative Council, in regard with implementation of Protocol of the 13<sup>th</sup> Session of the National Consultative Council as well as suggestions from unions of entrepreneurs of Khatlon Province, it was decided to arrange activity on supporting national producers.

In line with this three working groups were formed in cooperation with relevant authorities and assistance of development partners to address a) issues related to filing of taxes and reporting procedures in manufacturing business, b) issues relate to land use regulation for national producers, and c) issues on access to finance resources. The recommendations of the working groups on the elimination of the problems will be discussed in the next meeting of the Consultative Council with the subsequent submission of the recommendations to government authorities.

In addition, Khatlon Council made plans for the Chairman of Khatlon Council to report in subsequent Session of the Consultative Council on Improvement of Investment Climate under the President of the Republic of Tajikistan.

On December 26, 2014, the 6<sup>th</sup> session of the Khatlon Consultative Council was held with the following agenda:

1. Report of Secretariat of the Council on implementation of decisions of the Council and current issues (Discussion of Council Secretariat's activity).
2. Report by a representative of Main Department on Investment and State Property Management of Khatlon Province Musoev S.A. on "Concept of Business Development in Period up to 2015".
3. Discuss and approve the Activity Plan of the Consultative Council for the first half of 2015.
4. Consider and approve the agenda of the next meeting of the Consultative Council.

▪ **Consultative Council on Improvement of Investment and Business Climate in Sugd Province**

On April 19, 2014 the 5<sup>th</sup> Session of the Consultative Council on Improvement of Investment Climate under the Chairman of the Sugd Province was held. The issue on Analysis of Situation, Conclusion and Recommendations regarding the implementation of the New Tax Code in Sugd Province was discussed as well as following proposals were submitted concerning to it.

- Analyze compliance of regulatory legal documents adopted by tax authority with the Law of the Republic of Tajikistan “On Regulatory Legal Documents” and the Law of the Republic of Tajikistan “On State Registration of Legal Entities and Individual Entrepreneurs” as well as submit suggestions on elimination of contradictions and make them comply with each other in accordance with the defined procedure to the Ministry of Justice of the Republic of Tajikistan.
- Ministry of Finance of the Republic of Tajikistan and Tax Committee under the Government of the Republic of Tajikistan develop and submit proposals on undertaking measures regarding the simplification of tax declarations and actions of employees of tax authorities that go beyond the provisions of the Tax Code during the adoption of the report.
- Analyze the issue on improvement of risk level basis and based on them to arrange tax inspections as well as suggest proposals to the Government of the Republic of Tajikistan concerning the introduction of necessary amendments and modifications to the Tax Code.
- Develop draft amendments and modifications to the Tax Code with economic and legal justifications and submit it to the Government of the Republic of Tajikistan in accordance with defined procedures.
- Study the issue on compliance of these laws with each other and submit suggestions to the Ministry of Justice of the Republic of Tajikistan in accordance with defined procedure in regard with elimination of existing contradictions.
- Undertake measures on arrangement of informational workshop and trainings for the purpose of increasing the level of knowledge and awareness of entrepreneurs and tax authority employees.
- Undertake measures on notarization of buying and selling vehicles and receipt of funds gained at their expense to the state budget.
- According to the Resolution of the Government of Tajikistan dated November 2, 2007, #546 undertake measure on deduction of payment for the use of forest.
- Prepare suggestion in regard with introduction of 0.5% rate tax on property with a value of more than 1 million and submit to the Government of the country.

- Prepare suggestion on introduction of amendments and modifications to the Tax Code (regarding the VAT on import of high quality fertilizers, pesticides and seeds) submit to appropriate structures.
- With regard to the elimination of the sales tax and change it with VAT prepare and submit proposals to the relevant structures.

At the end of the meeting an Action Plan was accepted on the basis of these recommendations as well as relevant instruction were given to responsible government agencies for its implementation.

▪ **Consultative Council on Improvement of Investment and Business Climate in Kulob city**

On October 1, 2014 regular session of the Consultative Council Improvement of Investment and Business Climate in Kulob city was conducted, in which the following issues of investment and business development were discussed:

- Report of the Director of Department of Economics and Trade of executive authorities of the city Khujamqulov Abdurazoq about activity of the Council in 2014
- Presentation of 3-thousand farmers training program, including for 1,500 women in the framework of an agreement between the executive authorities of the city and the public organization "Nekcigol Consulting" (Presentation by the head of the public organization Nekcigol Consulting – Mahinakhon Suleymanova);
- Proposals and suggestions of members of the Consultative Council in regard with improvement of activity of the Council under the Chairman of Kulob city on improvement of investment and business climate.
- Organization issue on election of new members of the Consultative Council.

▪ **The Consultative Council on Economic Development of Isfara city**

The Consultative Council on Economic Development under the Chairman of Isfara city has made certain works during 2014.

Under the leadership of the Deputy Chairman of Isfara city, Deputy Chairman of the Consultative Council a number of meetings of the Council members jointly with heads of relevant agencies and authorities of the sector (Department of Economic and Trade, Investment and State Property Management, Architecture and Construction, Tojikstandard, Land Management Committee, Protection of Environment, tax authority, Fair Department ) rural entrepreneurs of Navgilem, Kulkand, Chilgazi, Lakkon, Shahrak and Surkh villages in the first quarter of 2014.

The purpose of arrangement and conducting these meetings held under the banner “Face to Face Dialogue” was facilitating the improvement of process of



cooperation on Public-Private Partnerships, improvement of business environment, effective inflow of capital, direct involvement of private sector in addressing the existing problems of the city and based on this create favorable conditions for effective use of existing facilities.

For the purpose of dissemination of necessary information on business activity the "Single Database" has been established on the platform of the Consultative Council and is handed over to all entrepreneurs, companies and stockholders. The database contains all relevant laws and regulatory legal documents regulating business activity, information on investment projects and organizations partners that is available for all. There is information on different foreign enterprises and entrepreneurs in the Council Database which can facilitate cooperation and arrangement of joint venture with local entrepreneurs.

On October 27, 2014 the Round Table on “Effectives and Prospects for Development of Entrepreneurship among the women of Isfara” was held at Somon restaurant under leadership of the Chairman of the city - the Chairman of the Consultative Council D. A. Zohidzoda with participation of members of the Consultative Council on Economic Development under the Chairman of the city and 30 entrepreneur-women of Isfara city, administration of law enforcement agencies, including the Chairman of Isfara city court Abdullozoda A.M., city prosecutor Muhammadi I.S., Deputy Director General of the Microfinance organization “Imon International” Makhkmova G. and heads of structural units of state executive authorities of the city.

It was noted that according to statistics, currently 3532 women business entities are registered, and this figure is 30% of the total number of business entities.

It was noted the share of women-entrepreneur Ismadova Salima in establishment of small enterprises on handicraft, sewing and involving the housewives to active public works. She was congratulated due to the fact that she won the first place in competition of National Association of Business women of Tajikistan on Production’s six nominations and was awarded Woman Entrepreneur of the Year – Farah-2014.

Current issues related to women entrepreneurship and ways to address them were being discussed between participants and officials from the relevant sectors as well as suggestions and proposals were being considered.

After the meeting following recommendations were given:

1. The Chairman of the Land Management Committee Mahsudov S., Main Architect of the city Fattoev M. should promote on the allocation of land plots for construction of services and trade facilities, development of agricultural sector to businesses on the shortest time through the “Single Window”.

2. Consultative Council under the Chairman of the city on improvement of the investment climate should promote to attract domestic and foreign investment, establish small enterprises for processing of agricultural products, create favorable conditions for entrepreneur-women, raise legal and professional awareness entrepreneur-women, arrange training courses, and establish Resource Center.
3. Head of the Department of Education Ikromov A. should take measures on establishment of private schools, raising the level of knowledge of pupils, arrangement of competitions between the public and private secondary schools, conducting Olympiads and subject competitions among the pupils of schools.
4. Director of Department on Affairs with Women and family should take measures for attracting women and girls to individual and group business, organizing training courses and folk arts cycles, including weaving carpets, adras, suzani embroidering, strengthening the mutual cooperation with civil society organizations, raising the legal and economic awareness of women and girls, promoting projects to receive grants from the President of the Republic and from Chairman of Sugd Province.

It was decided that issue on analysis status of social assistance payments in farms and individual entrepreneurs and actual condition of processing enterprises and exporters of agricultural products in rural areas and Isfara city will be considered in the next meeting of the Council which will held on late first quarter of 2015.

**Table 1. Information on sessions of the Consultative Council on Economic Development under the Chairman of Isfara city in 2014**

#	Date of event	Place of the Session	Agenda	Notes
1	11.02.2014	Hall of Rural Community of Navgilem	Face to Face Dialogue	
2	11.02.2014	Hall of Rural Community of Kulkand	Face to Face Dialogue	
3	12.02.2014	Hall of Rural Community of Chilgazi	Face to Face Dialogue	
4	12.02.2014	Hall of Rural Community of Lakkon	Face to Face Dialogue	
5	18.02.2014	Hall of Rural Community of Shahrak	Face to Face Dialogue	
6	18.02.2014	Hall of Rural Community of Surkh	Face to Face Dialogue	
7	27.10.2014	Somon restaurant	Face to Face Dialogue	

**Source: Secretariat of the Consultative Council on Economic Development under the Chairman of Isfara city**

As can be seen from the table 7 meetings were held in 2014 in the framework of the Consultative Council on Economic Development under the Chairman of Isfara city, in which important issues of business and investment climate of the city were analyzed.

#### ▪ **Consultative Council on Economic Development of Panjakent City**

Consultative Council on Economic Development of Panjakent city held 8 Sessions in 2014 where important issues of economic development, business and investment climate were discussed.

Particularly on January 16, 2014, the 4<sup>th</sup> Session of the Council was held, in which the issue of reconstruction of farms structure was discussed. It was noted that currently 70% of big farms were renovated into small one and this process is being continued in Panjakent city. At the end of the meeting relevant instructions on considered issue were given by the Chairman of the Council to relevant local authorities.

The 5<sup>th</sup> Session of the Council on Economic Development of Panjakent city was held on March 11, 2014. The issue of analysis of tourism companies was discussed in it. It was noted that the number of local hotels for receiving tourists increased in the result of the development of tourism based on communities in the town and surrounding rural area during the recent years. However, blockage of Samarkand-Panjakent way led to decrease in number of foreign tourists to Panjakent city as well as effectiveness of the development of tourism based on local communities was reduced. At the end of the meeting it was decided to address to the Government on solution of this issue.

On May 14, 2014 the 6<sup>th</sup> Session of the Council was held during which the issue on analyzing the activity of banks and microcredit organizations in Panjakent city was considered. It was also noted that the efficiency of activity of banks and small microfinance organizations in the city is low that does not contribute to the development of manufacturing business. As offered credits submitted on extremely high interest rates (24-32%) and short term that is inadequate for manufacturing business. At the end of the meeting the Chairman of the Council gave appropriate instructions on the considered issues to relevant local authorities, banks and small microfinance institutions.

On June 20, 2014, the 7<sup>th</sup> Session of the Consultative Council on Economic Development of Panjakent city was held. During the meeting the issue on supply water to farms was considered. It was noted that due to address this issue in previous year the situation was relatively improved. However, some problems still take place and this issue must be taken under control.

On August 16, 2014 the 8<sup>th</sup> Session of the Consultative Council under the Chairman Panjikent city was held. In the meeting the issue on implementation of

the Law "On Licensing of Certain Types of Activity" was considered. It was particularly noted that there are no obstacles created by permitting authority. In order to make available and transparent procedures on obtaining permits and licenses certain days are determined by permitting authorities days for submitting permits. Three times such days have been determined this year and simplification of these procedure is still being continued.

On September 18, 2014 the 9th Session of the Council was held, in which the issue of attracting foreign capital into the economy of the city was considered. The gratitude expressed for the construction of Ayni- Panjakent-Uzbekistan border which is currently under way. The total sum is 100 million dollars. It was noted that a small several missions in Panjakent city of international organizations operating in the field of social support. Also two joint venture JV Zarafshan and Broteks-Antimony are operating through attraction of foreign investment in mining industry. At the end of the meeting necessary instructions and recommendations on discussed issues were given to relevant authorities, development partners and private sector.

On November 23, 2014, the 10<sup>th</sup> Session of the Council was held. During the meeting the results of the monitoring of the Program of Economic and Social Development of the Panjakent city for 2011-2015 were discussed. It was particularly noted that the program is being implemented despite of not completing program implementation period. At the end of the meeting instructions were given to the relevant authorities for fully implementation of Program of Economic and Social Development of the Panjakent city for 2011-2015.

▪ **Consultative Council under the Chairman of Farkhor District on Improvement of Investment Climate**

Consultative Council under the Chairman of Farkhor District on Improvement of Investment Climate conducted 2 sessions as well as 4 meetings were held by the Chairman of the Council with entrepreneurs of the district. At these meetings Chairman of the Business Council suggested to entrepreneurs proposals with regard to the establishment of enterprises on industrial milk processing, production and processing of fruits and vegetables, construction of the national teahouse, hotels and canteens. Entrepreneurs promised to implement proposals in the case allocation of land by the executive authorities of the district.

Suggestion on construction of a national teahouse proposed by Chairman of the Council was supported by Sharipov Anvariddin on amount of 1.5 million somoni in the area of district cultural-entertainment park, which construction have been completed and issues of energy supply are currently being resolved.

Consultative Council under the Chairman of Farkhor District on Improvement of Investment Climate is taking all necessary measures on attraction of entrepreneurs

to build small and medium enterprises; to create new jobs and reduce poverty in the district.

It was suggested for the purpose of more development of small and medium entrepreneurship in the district to create a free economic zone in the area of Kokuli of the district according to the contract of Government of the Republic of Tajikistan with Islamic State of Afghanistan as well as to speed up solution of the problem on construction of bridge on the river Panj, that was proposed by the President of the country, His Excellency, Esteemed Emomali Rahmonr.

This will contribute to the creation of hundreds of new jobs in the district and Kulob region as a whole.

▪ **Consultative Council on Improvement of Investment Climate and Business in the districts of Rasht Valley**

On June 21, 2014 the second meeting of the Consultative Council on Improvement of Investment and Business Climate was held in Rasht Valley under the chairmanship of Chairman of State Committee on Investments and State Property Management of the Republic of Tajikistan, the Chairman of the Consultative Council on Improvement of Investment and Business Climate in Rasht Valley – Qodiri Qosim.

The meeting was opened by Chairman of the Regional Council Qodiri Qosim who expressed that during the nine months of activity the Council in order to achieve its goals is carrying out important works. Particularly 3 counseling works and currently the second meeting of the Council are being held as well as important issues on region development provided by private sector have been discussed on them. At the same time in order to advocate and promote unique and fabulous nature of the valley, access to more information on the history, culture and heritage of the valley a website [www.travelrasht.tj](http://www.travelrasht.tj) was established through financial support of OSCE.

During the Council meeting Executive Secretary of the Council Zafar Hisoriev and new members were elected.

Council member Director of tourism company “Sayeh” Mirzoshoh Akobirov presented results of analysis on development of tourism in Rasht Valley. He also noted that miraculous nature of Rasht Valley, distinct hospitability of local people as well as valuable culture and traditions of the land inherited from his ancestors is the actual basis for development of traveling. There are all conditions and opportunities to further enhance and expand the tourism sector.

The issue on improvement of investment climate in agricultural sector in Rasht Valley related to the agenda of the next meeting of the Council for consideration was proposed by the Chairman of the State Committee on Investments and State Property Management of the Republic of Tajikistan, the Chairman of the Council

on Improvement of Investment and Business Climate in Rasht Valley, Qodiri Qosim.

In discussions and disputes related to each of issues discussed at the meeting chairmen of Rasht Valley districts, representatives of private sector, civil society organizations and international organizations expressed their views.

At the end of meeting it was instructed to conduct analysis on improvement of investment climate in agricultural sector in Rasht valley as well as submit its results to the next meeting of the Council.

## **2.6. Ratification of the Hague Convention (Apostille Convention) on Abolition of Official Documents Legalization from 1961**

The issue of ratification of this Convention was considered at the 11<sup>th</sup> Session of the Consultative Council according to the protocol instruction of this Session on October 29, 2014 the Parliament of the Republic ratified the Hague Convention (Apostille Convention) on abolition of foreign official documents legalization from October 5, 1961, which will contribute in attraction of more foreign investment to the national economy.

It should be noted that accession process will take about six months and the Republic of Tajikistan will be recognized as the 108<sup>th</sup> member of this Convention as a result as well as enterprises and citizens of the country will have benefits from it.

Particularly in accordance with provisions of the Convention documents of foreign investors in Tajikistan as well as Tajikistan entrepreneurs' documents in foreign countries members of the Convention will be recognized without internal procedures. Also registration of migrants' documents in the countries accessed to the Convention will be simple and cost effective.

This will save time and money and simplify the process of registration documents for foreign investors and local businessmen in their investment or business activity, as well as the activities of foreign migrant workers in the country.

In total, accession of the Republic of Tajikistan to the Hague Convention has a lot of priorities and will contribute in attraction of more foreign investment to the national economy.

## **2.7. Establishment of Sovereign Credit Rating of the Republic of Tajikistan**

According to the protocol instruction of the 11<sup>th</sup> Session of the Consultative Council with the aim of establishing a sovereign credit rating of the country National Bank of Tajikistan has arranged cooperation with prestigious world rating agencies like Standard & Poor's and Moody's and implemented significant works in this direction.

Particularly, Moody's agency experts arrived to Tajikistan by invitation of NBT and conducted meetings with economic ministries and agencies. Also in the framework of program meetings had been conducted at the Ministries of Finance, Economic Development and Trade, Statistic Agency and Center of Strategic Research under the President of the Republic of Tajikistan as well as SSB of the RT "Amonatbank" and necessary data had been obtained on legislation, state of finance system, strategic directions of the Tajikistan development and etc. Currently this information is analyzing by experts of rating agency.

According to the implemented procedure also the second company Standard & Poor's made a similar visit in November. Meetings with ministries and the Government high level representatives, embassies and international financial institutions representatives had been conducted in the framework of the visit program.

In line with this regarding the study and analyzing correspondence, negotiations and discussions are going on by the National Bank of Tajikistan's experts who are coordinating relations with these agencies in comply with instruction.

As it is planned by Standard & Poor's and Moody's conclusion and further work results will be submitted on February this year to the Tajikistan's side.

## **2.8. Development and Approval of the Action Plan of the Government of the Republic of Tajikistan on Improvement of Investment and Business Climate in the Insurance Sector**

With the purpose of identifying problems in the insurance sector and finding ways to address them, that is one of key directions of reforms on improvement of investment and business climate in the framework of the Council activity, in the result of activity of interagency Working Group under the Ministry of Development and Trade of the Republic of Tajikistan comprehensive analysis of the sector was conducted.

Analysis of state of the insurance market has shown that private-owned insurance companies are highly interested in entering to the compulsory insurance services market. But they consider implementation of the compulsory insurance only by insurance companies as the obstacle to development and ensuring healthy competition in the insurance market.

Healthy competition among the insurance companies provides an opportunity to increase insurance premiums due to expand their client base, to improve the level of services and create their new types in the insurance market.

At the same time, current level of solvency of insurance companies in the country does not meet modern requirements. As in condition of expanding the various forms of economic activities, development of small and medium entrepreneurship, implementation of various volume investment projects in different sectors of the national economy, the issues on life, health, property and other kind of insurance

become more complex day by day that require from insurance companies financial sustainability and guarantee on timely payment of insurance claims.

Simultaneously the need to strengthen insurance supervision agency and modification of its management system, reviewing the accuracy of insurance activity by insurance companies were considered as factors of the sector development.

Dependence of State Insurance Supervisory Service and its activity on Ministry of Finance and state funding is considered existing system as contrary to the Core Insurance Principles that is international standard on insurance developed by International Association of Insurance Supervisors by the experts.

Therefore, the interagency working group suggested that this agency should be integrated into the structure of the National Bank of Tajikistan. The same applies to the requirements of the financial opportunities and intellectual capacity of insurance supervisor agency for implementation of supervision by qualified professionals.

In order to make the activity of insurance companies as well as regulatory structure of the sector comply with best international standards on insurance, there is also the need to improve the legal framework of the insurance sector.

As a result of effective activity Interagency Working Group submitted report with comprehensive recommendations and draft Action Plan of the Government of the Republic of Tajikistan on Improvement of Investment Climate in the insurance sector based on it to the 13<sup>th</sup> Session of the Council.

At this meeting Ministry of Economic Development and Trade of the Republic of Tajikistan was instructed to improve draft of the Action Plan of the Government of the Republic of Tajikistan on Improvement of Investment Climate in the Insurance Sector and submit it to the Government of the country according to defined procedures.

It should be noted that after improvement and coordination with relevant ministries and agencies the Action Plan of the Government of the Republic of Tajikistan on Improvement of Investment Climate in the Insurance Sector was submitted to the Government of the country according to defined procedure and was adopted by relevant Resolution of the Government of the Republic of Tajikistan dated December 29, 2014.



### **3. BEGINNING REFORMS IN DIFFERENT DIRECTIONS**

It is important to emphasize that during the reporting period some important reforms were begun in the framework of the Consultative Council activity. These reforms directed on development of secondary market for security and stock exchange, improvement of investment climate in the sectors of industry, supporting domestic producers and development of national production and improvement of the investment climate in agriculture and development of agribusiness in Tajikistan that More information about essence, purposes and reforms' status will be proposed in further parts of this report.

#### **3.1. Development of Secondary Securities Market and Stock Exchanges**

Regarding the development of secondary market for securities in the country in the 12<sup>th</sup> Session of the Consultative Council on Improvement of Investment Climate under the President of the Republic of Tajikistan dated December 13, 2013 National Bank of Tajikistan was instructed to conduct analysis and submit suggestions.

In concern with this a Working Group was established by involving representatives of ministries of finance, economic development and trade, Secretariat of the Consultative Council on Improvement of Investment Climate under the President of the Republic of Tajikistan, State Committee on Investment and State Property Management, National Bank, private sector as well as representatives of European Bank for Reconstruction and Development, World Bank and International Monetary Fund from development partners.

In the result of conduction of analysis the Working Group submitted conclusion with comprehensive recommendations.

Particular, several issues were identified during the discussion and solution of conflicts and predictions in the existing legislation on establishment of secondary market for securities, elimination of which would contribute in improvement of stock registration process and facilitate entry into the secondary market for securities. With these purpose it was recommended:

For the first, to take into account compulsory registration of joint stock companies and provision of information on their business plan in the Law of the Republic of Tajikistan "On State Registration of Legal Entities and Individual Entrepreneurs".

For the second, regarding this in order to make this law comply with the Law of the Republic of Tajikistan "On Joint Stock Companies" it should be prescribed the registration of issuance of stocks and bonds of Joint Stock Company in accordance with defined procedure.

For the third, also in order to make these changes comply with regulatory legal documents that regulate activity of entities in secondary market for securities, necessary modifications should be included.

In general, implementation of the Working Group recommendations would ensure simple and easy access for joint stock companies to enter the secondary market for securities.

Experiences of a number of countries were studied on choosing the form and procedure of conducting transactions in the secondary market for securities. Due to high technical requirements to procedure of conducting transactions on stock trading, payment, registration and maintaining the data needed, the Working Group suggested to arrange the structure of secondary market for securities at a level of a region and world advanced secondary market for securities through arrangement of electronic trade. This conclusion has been coordinated with relevant ministries and agencies and supported by the Government of the Republic of Tajikistan in accordance with defined procedure.

Based on this, requirements on establishment of company were implemented by National Bank of Tajikistan, founding document, Charter and any other necessary documents have been approved by relevant Resolutions as well as LLC "Tajikistan Capital Market" (Single Window) has been registered in the Department of State Registration of Legal Entities and Individual Entrepreneurs in Dushanbe city as a separate legal entity.

In line with this process, the issues of determining the location of the company, providing it with modern computer equipment and international software on automating the process of trading securities are being resolved.

As a result of the Working Group activity Report on Development of Secondary Market for Securities and Stock Exchange with comprehensive recommendations and a draft Action Plan of the Government of the Republic of Tajikistan on Development of Secondary Market for Securities and Stock Exchange Market have been developed and presented in 14th Session of the Consultative Council on Improvement of Investment Climate under the President of the Republic of Tajikistan.

### **3.2. Improvement of Investment Climate in Industry and Support for Domestic Producers**

It should be noted that the industry is one of the key sectors of the national economy of countries which promotes to develop the productive capacity of the economy, diversify the sectoral structure and increase the competitiveness of the national economy. In this regard significant share of all the world science and engineering researches accounts for a variety of industry sectors.

Although a number of important reforms on improvement of investment climate in industry have been conducted by the Government of the country in recent years, the continuation of reforms is very important.

It should be noted that nowadays advanced countries pay particularly serious attention to improvement of sectoral structure of the industry as according to the trends of industry development in the world the share of mining sectors reduces and role of processing industry sectors increases.

At the same time attraction of investment and arrangement of activity of industrial enterprises in various sectors of the industry, including food production, final processing of cotton, silk, wool, leather as well as sectors of production of equipment for processing of local raw materials would contribute in increasing people employment and jobs but enhancing the efficiency of the national production would ensure introduction of innovation and the development of international trade.

For example, arrangement of development of mining sector in the country at the expense of internal resources can contribute in production of semi-finished goods, which are very demanding in a global market.

For development of mechanical engineering, primarily it is necessary to establish technical and technological production in operating enterprises, for products of which there is demand in domestic and neighboring countries' markets, such as food and other kind of light industry equipment.

Moreover final processing of local cotton fiber, wool and leather in the country through usage of new technique and technology would make it possible to provide domestic market with high quality domestic goods as well as to broaden its export.

It should be noted that current high dependence of national economy on import of consumer goods, including import food products in a too much amount will cause reduction of food safety. While there a lot of unused opportunities in our country in order to adequately address the needs of people with a variety of food products.

There are actual preconditions for development of industrial sectors in the country. It is necessary to make the investment environment appropriate taking into account the interests of both investors and enterprises in this sector.

Global experience is evidence that ensuring a favorable investment and business climate in the sectors of industry as the engine of economic growth provide opportunity for many countries to transform into the new industrial economies and occupy certain share in global markets.

It should be emphasized that advanced countries have a large amounts of free capital, but mobilize them to countries where favorable environment and investment climate has been created.

Given the importance of this issue for the economic development of the country it was submitted for consideration in the 13<sup>th</sup> Session of the Consultative Council supported by members of the Council.

Thus, Chairman of the Consultative Council instructed to establish the Working Group from among of representatives of relevant ministries and agencies, private sector, with assistance of development partners on improvement of investment climate in the sectors of industry, protection of domestic producers and development of national production ant to prepare necessary analysis with comprehensive recommendations.

### **3.3. Improvement of Investment Climate in Agriculture and Development of Agribusiness**

Given that the vast majority of the country's population lives in rural area of the country and is engaged in agriculture, the Government of Tajikistan considers the agricultural sector as a priority of direction of its economic policy.

A number of reforms on improvement of economic conditions in agricultural sector, including destatization of public agricultural farms and their property, various agricultural development programs such as programs on development of cotton farming, crop production, bee keeping, fish farming, poultry and other sectors are being adopted and implemented since gaining independence until today.

As a result of the implemented reform there are various forms of enterprises of agriculture and processing agricultural products have been established in the country but this cannot satisfy the requirements of the Government currently.

Over the recent years due to the gradual reduction of productivity of agricultural lands and becoming waste lands part of them across the country, especially in the Sugd and Khatlon provinces, the investment attractiveness of the agricultural sector has been reduced.

At the same time, there are following challenges in the agricultural sector of country:

- irrigation challenges in most regions of the country;
- high cost of fertilizers and pesticides, which are mostly delivered;
- high cost of fuel and lubricants;
- high credit rates of the country banking system;
- depreciation of major part of agricultural machinery;
- lack of high quality seeds and so on.

As experience of more developed country of region including Kazakhstan, India, Iran, China, and other countries shows using the innovative technologies reduces the cost of agricultural products and makes them competitive and demanding.

Therefore, it is important to undertake necessary measures on improvement of investment climate in the agricultural sector and agribusiness development in all directions and thus create demanding jobs for rural people of the country.

With this purpose in the 14<sup>th</sup> Session of the Council the issue on improvement of investment climate in the agricultural sector and agribusiness development was submitted by Executive Secretary of the Consultative Council for consideration at the next Session that was supported by all members of the Council.

#### **4. MONITORING THE IMPLEMENTATION OF THE CONSULTATIVE COUNCIL'S DECISIONS**

Along with the convention of the Sessions of the Consultative Council, one of the main tasks of the Secretariat of the Council is to monitor the implementation of the Consultative Council's prior decisions, developing report on its results and comprehensive report of Executive Secretary of the Council regarding this issue. Overall control on the implementation of the Council's decisions is carried out by the Executive Secretary of the Council and information is being regularly submitted to the Executive Secretary by Secretariat of the Consultative Council.

Secretariat of Consultative Council regularly develops a monitoring matrix on implementation of decisions of the Consultative Council. The monitoring matrix is focused on tracking both direct result of each individual activity and instructions, also on preparation of expanded monitoring results report.

In order to ensure a systematic data collection, information sharing, conducting analysis which is necessary for monitoring, Secretariat of Consultative Council holds numerous meetings with representatives of the relevant ministries and agencies responsible for implementation of the Consultative Council's decisions and decrees of the Government of the Republic of Tajikistan approved in accordance with Protocol.

Based on these works' results, monitoring report and comprehensive report of Executive Secretary of the Council are submitted to the Executive Secretary of the Council. This report covers comprehensive information on the progress of decisions execution, the results of execution or partial execution of decisions by relevant state agencies, as well as involvement of the private sector and development partners in the process of implementation of the Consultative Council's decisions.

On this background, comprehensive information on monitoring results of implementation of the 12<sup>th</sup> and 13<sup>th</sup> Sessions of the Consultative Council on Improvement of Investment Climate under the President of the Republic of Tajikistan were submitted in Appendix 1 (Monitoring matrix) and sub points 1.1. and 1.2. of this Report.

## **5. SELECTION OF PROPOSALS FOR CONSIDERATION IN CONSULTATIVE COUNCIL' SESSIONS**

The Consultative Council is a platform of open dialogue between state and business through which the private sector could have a greater impact on the Government decisions on business and on the economy of the country as a whole. In this base the private sector submit their challenges directly to the President of the country. The proposals of private sector are considering in the Consultative Council' Session and relevant decisions would be accepted.

The idea of filtering process is to discuss the questions provided by the private sector with all interested parties, and subsequent prioritization of the issues taking into account all the results. At the end, the most pressing issues of the private sector are included in the agenda out of all proposed issues.

The private sector is not only an important resource for the development of Tajikistan's economy, but also is a reliable source of timely, comprehensive and accurate information about the problems, obstacles and difficulties that local entrepreneurs face in their commercial operations. In this connection, the proposals from the private sector are of higher priority for the Secretariat of the Council in drafting the agenda for meetings of the Consultative Council.

In order to ensure transparency and efficiency of the filtration process, the Secretariat of the Consultative Council on the improvement of investment climate under the President of Tajikistan finished significant works on preparing the list of issues for consideration in subsequent sessions of the Consultative Council.

Secretariat of the Consultative Council held multilateral and bilateral meetings with the private sector, where the most important issues were identified solving of which will contribute to the development of entrepreneurship.

Some of important and priority issues were suggested by the private sector during the Round Table on «Consultative Council on Improvement of Investment Climate under the President of the Republic of Tajikistan – an instrument to facilitate open dialogue between the public and private sectors», Round Table on reforms regarding Republic of Tajikistan' position in “Doing Business” Report of World Bank and Round Table on presentation of the results of reforms on improvement of business and investment climate in the Republic of Tajikistan which were held by initiative of the Secretariat of the Consultative Council.

In the same time, regarding the Meeting of the President of the Republic of Tajikistan with Entrepreneurs and Investors, meetings of heads of economic ministries and agencies with entrepreneurs and investors in the provinces and regions of the republic, as well as Khatlon, Sugd Provinces, Rasht Valley, Districts Subordinate were conducted and entrepreneurs' views and suggestions were

collected. In this base, an analysis on situation, issues and perspective of entrepreneurship and investment activity in Tajikistan was prepared.

As the result of filtration process during 2014, the following issues were proposed by representatives of private sector:

1. Improvement of investment climate in the sectors of industry, supporting domestic producers and development of national production;
2. Improvement of the investment climate in agriculture and development of agribusiness in Tajikistan;
3. Improvement of Investment Climate in the energy sector;
4. Tax issues, as well as taxation for new established enterprises, social tax for foreign citizens which are operating in companies and other aspects of tax administration;
5. Development of draft Law of the Republic of Tajikistan “On investment” in a new edition;
6. Conduction of monitoring of permitting system. Despite that the reform on this direction was begun in 2008 and the number of permits has decreased from 806 to 86, while in practice in some case the number of permits are increasing;
7. Analysis of the increasing the numbers of enterprises stopped their activities;
8. Activity of permanent operating Commission on analysis of Tax Code under the Ministry of Finance of the Republic of Tajikistan;
9. Opening of air line Dushanbe-Moscow of Russian Federation through Sheremetovo airport of Moscow city and phased implementation of Open Sky policy;
10. Analyze the activity of state unitary enterprises operating under relevant ministries and agencies and duplicating the activity of ministries and agencies;
11. Introduction of modern statistics methods of accounting.

These proposals were analyzed and studied thoroughly by Secretariat of the Consultative Council and are being suggested for the consideration at the subsequent Sessions of the Council.



## **6. COOPERATION WITH PARTNERS**

### **6. Cooperation with the Public Sector**

Consultative Council on improvement of investment climate under the President of the Republic of Tajikistan is a platform of open dialog between the state and private sector. State through its authorities is engaged in management and regulation of economic processes and deals directly with business spheres and private sector.

Secretariat of the Consultative Council have had permanent useful cooperation with Advisor branch of the President of the Republic of Tajikistan on economic policy, Department of economic reforms and investment of the Executive Office of the President of the Republic of Tajikistan, other sphere departments of Executive Office of the President of the Republic of Tajikistan, Secretariat of the President of the Republic of Tajikistan, Prime Minister and First Deputy of Prime Minister, ministries and state agencies.

During the reporting year, a number of Interagency working groups were established for implementation of protocol decisions of the 12<sup>th</sup> and 13<sup>th</sup> sessions of the Council under the Ministry of Trade Development and Economy of the Republic of Tajikistan, National Bank of Tajikistan, Ministry of Foreign Affairs and Ministry of Industry and New Technologies, to which representatives of different state authorities were included.

So a number of meetings with different state were held in the framework of the Working Group activity and cooperation of Secretariat of the Consultative Council with state authorities was strengthened.

The Consultative Council would also enhance his further cooperation with public sector and would undertake necessary measures for this.

Generally, state sector have an important role in the Council's activity and serves as consultative, regulatory, implementing and governing body.

#### **6.2. Cooperation with the Private sector**

Private sector plays a key role in the Consultative Council's activities. The main purpose of the Council established by initiative of the President of the Republic, His Excellency Emomali Rahmon is defining and eliminating difficulties of the private sector. Due to the Consultative Council's activity private sector has an opportunity to send proposals on its challenges directly to the President of the country.

Currently 5 representatives of the private sector are member of the Consultative Council. Particularly, Head of Association of Microfinance Organization of

Tajikistan – Farhod Akbarov, Chairman LLC “Kafolat” – Mr Muzaffar Saymuddinov, Chairman of Association of Agrobusiness of Tajikistan – Shorahmatov Shorauf, Chairman of CJSC “Madina va Hamkoron” – Nabot Dodkhudoeva and Chairman of CJSC “Ghayur” Akbar Chulomov.

In 2014, the Secretariat of the Consultative Council actively cooperated with the private sector in different areas of Secretariat’s activities, including improvement of Tajikistan indicators on “Doing business” Report of the World Bank, improvement of business and investment climate in tourism, mandatory insurance policy, development of the securities market and stock exchange.

Private sector took active part in activity of the Working Group on development of secondary market for securities and stock exchange in Tajikistan, development of draft Law of the Republic of Tajikistan “On Insurance Activity” in a new edition. Private sector also played a key role in the Meeting of the President of the Republic of Tajikistan with Entrepreneurs and Investors as well as at the Economic and Investment Forum.

Therefore, the head of country, experts and specialists hold the view that private sector should be more active and strengthen its position in the domestic market for goods and services in modern conditions. Also private sector should contribute its share of effort to achieving state strategic goals such as providing electricity independence, exit from communication deadlock and achieving food security.

In this regard, the private sector should benefit from economic liberalization and enter to the new level of public private partnership.

Secretariat of the Consultative Council would continue fruitful cooperation with private sector and would try to increasing its role in the country’s economy.

### **6.3. Cooperation with Development Partners.**

It should be noted that representatives of development partners - one representative each from bilateral and multilateral development partners are the member of the Consultative Council. The Secretariat conducts regular bilateral and multilateral meetings with development partners.

Secretariat of the Consultative Council on Improvement of Investment Climate under the President of the Republic of Tajikistan jointly with State Committee on Investment and State Property Management in regard with increasing the level of knowledge and skills of entrepreneurs, establishment of training courses on legal and economical culture of entrepreneurs, development of investment projects and business plans are implementing significant works.

A round Table on presentation of the Action Plan of the Government of the Republic of Tajikistan on improvement of investment climate in tourism sector in

the Republic of Tajikistan approved by Resolution of the Government of the Republic of Tajikistan dated May 3, 2014, #301 was held by Secretariat of the Consultative Council with support of development partners.

Simultaneously, on August and September, 2014 State Investment Committee conducted seminar-consultations with entrepreneurs on reforms directed on support and development of entrepreneurship in district of Rasht Valley with technical assistance of OSCE in Tajikistan.

Regarding the strengthening international position of Tajikistan effective cooperation has been arranged with development partners. Particularly the Action Plan of the Government of the Republic of Tajikistan on improvement of the Tajikistan's indicators in the "Doing Business" report of the World Bank was approved by Resolution of the Government of the Republic of Tajikistan dated May 3, 2014, #300. Effective implementation of this Action Plan will give major boost to more improvement of investment and business climate in the country.

In line with this cooperation with the team of the "Doing Business" Report of the World Bank has been widened as well as last comprehensive information on reforms had positive impact on improvement of the Tajikistan's position in this report was submitted to the team. Moreover contributors' list of the report has been reviewed and other business structures have been included to it. These measures will allow improving position of the country in the "Doing report" significantly.

Also effective cooperation has been arranged with World Bank experts on analyzing development of the insurance market, including development and submission of the World Bank Policy Paper "Key issues facing insurance sector of Tajikistan", participation in the activity of the Working Group on development of Draft Law of the Republic of Tajikistan "On insurance activity" in new edition and other regulatory legal documents on insurance, implementation of the Action Plan in this direction.

In the framework of the Working Group on development of secondary market for securities and stock exchange market effective cooperation has been arranged with KFW Bank and Grant Thornton, representation office of SECO in Tajikistan. Particularly Grant Thornton company has conducted analyses on development of stock exchange market in Tajikistan with support of KFW Bank and presented it.

## **7. ROTATION OF NEW CONSULTATIVE COUNCIL MEMBERS FROM DEVELOPMENT PARTNERS AND FOREIGN INVESTORS**

It should be noted that during the reporting period according to the Regulation of the Consultative Council works were continued on applying rotation mechanism for non-permanent members, i.e. representatives from bilateral and multilateral partners.

Three members of the Consultative Council from private sector were changed in this period.

In addition, it should be noted that 13<sup>th</sup> Session of the Consultative Council three members by the domestic private sector were elected to the membership of the Consultative Council, as well as Chairman of Association of Agribusiness of Tajikistan – Shorahmatov Shorauf, Chairman of CJSC “Madina va Hamkoron” – Nabot Dodkhudoeva and Chairman of CJSC “Ghayur” Akbar Ghulomov.

## **8. ROUND TABLES, SEMINARS, FORUMS**

### **8.1. Round Tables**

During the reporting period the Head and specialists of Secretariat of the Consultative Council have participated in the work of range of round tables, forums, seminars and sessions of regional councils on improvement of investment climate.

#### **Round Table on “Consultative Council on Improvement of Investment Climate under the President of the Republic of Tajikistan - an instrument to facilitate open dialogue between state and private sectors”**

On February 6, 2014, a Round Table on «Consultative Council on Improvement of Investment Climate under the President of the Republic of Tajikistan – an instrument to facilitate open dialogue between the public and private sectors» was conducted by Secretariat of the Consultative Council on Improvement of Investment Climate under the President of the Republic of Tajikistan in Dushanbe.

Representatives of the Executive Office of the President of the Republic of Tajikistan, State Committee on Investment and State Property Management of the Republic of Tajikistan, private sector as well as development partners participated in the Round Table.

Mr. Numon Abdujaborov - Senior Economic Consultant, Acting Head of Secretariat of the Consultative Council opened the Round Table and pointed out that the goal of conducting the Round Table is to conclude the achievements of the Consultative Council in 2013 and identify key priorities of the Council for 2014 as well as exchange of views among partners.

Then speech of Senior Economic Consultant, Acting Head of Secretariat of the Council on the Consultative Council’s activity in 2013 and key priorities of the Council for 2014 was heard by participants. It was mentioned that over the reported year the Council conducted its two Sessions under the leadership of the Chairman of the Council, the President of the Republic of Tajikistan, His Excellency, Emomali Rahmon, where a number of important issues related to improvement of investment climate and business development were discussed.

Implemented reforms on development of Public-Private Partnership and establishment of its structures such as the Council on Public-Private Partnership and State institution “Center of the Public-Private Partnership Projects’ Implementation”, continuation of tax system reform, improvement of investment climate in tourism, simplification of inspections of business entities’ activity, beginning the reform on improvement of investment and business climate in insurance sector, development of secondary market for securities and

establishment of a stock exchange market were presented as significant achievements of the Consultative Council in last year.

During the reporting period within the Council's activity, the Law of Tajikistan "On State Protection and Support of Entrepreneurship in Tajikistan" in new edition was adopted, amendment and modification to the Tax Code of the Republic of Tajikistan in new edition and other regulatory legal documents adopted on the basis of the Tax Code were approved as well as Entrepreneurship Support Fund and some regional councils on improvement of investment and business climate were established in cities and districts of the country.

The Consultative Council's Secretariat, in close cooperation with private sector's representatives and development partners, identifies priority areas for reform on a regular basis, conducts necessary analyses on each issue proposed by the private sector and submits the results for consideration to the Consultative Council.

At the end of his speech, Senior Economic Consultant, Acting Head of Secretariat of the Consultative Council emphasized that based on the private sector's proposals issues like continuing the reform on improvement of investment climate in tourism, improvement of the Tajikistan indicators in the Doing Business Report of the World Bank Group, continuation of the reform on system of permits and licensing, establishment of sovereign credit rating of the country, speeding up the accession of Tajikistan to Hague Convention (or Apostille Convention of 1961) on abolition of the official documents' legalization, improvement of investment and business climate in insurance sector, implementing reform on development of secondary market for securities and establishment of a stock exchange market are identified as key priorities of the Consultative Council for 2014.

Then Mrs. Nigina Abdulloeva - Deputy Chairman of the State Committee on Investment and State Property Management of the Republic of Tajikistan on behalf of the government, Mr. Farhod Akbarov – Head of Association of Micro Financial Organizations of Tajikistan on behalf of the private sector and Mr. Richard Jones – Head of Resident Representative of European Bank for Reconstruction and Development in Tajikistan, Deputy Head of Representation Office Of European Union Mr. Ovidiu Mic on behalf of development partners and others delivered speeches, which highly acknowledged the Council's activity for the last year.

At the end of the Round Table participants had discussion and provided their useful proposals for further improvement of investment climate.

## **Round Table on Reforms and Achievements of the Government of the Republic of Tajikistan on improvement of business and investment climate that promote to the rising of country's indicators in "Doing Business" Report of World Bank**

On July 04, 2014 in State Committee on Investment and State property Management of the Republic of Tajikistan a round table was conducted on reforms regarding the Republic of Tajikistan' status in "Doing Business" Report of World Bank.

The round table involved by more than 20 representatives of private sector, representatives of Secretariat of the Consultative Council, representatives of State Committee on Investment and State Property Management of the Republic of Tajikistan.

The Head of Secretariat of the Consultative Council on Improvement of Investment Climate under the President of the Republic of Tajikistan updated participants of the round table on implemented reforms on the framework of activity of the Consultative Council on Improvement of Investment Climate under the President of the Republic of Tajikistan, as well as improvement of investment climate on tourism, improvement of investment climate in insurance sector, ratification of the Hague Convention by the Republic of Tajikistan, establishment of sovereign credit rating, activity of the working group on development of secondary market for securities and stock exchange in Tajikistan, activity of the working group on improvement of investment climate in the sectors of industry, supporting domestic producers and development of national production.

Then the Head of the Consultative Council reminded that during filling the questionnaire of the "Doing Business" Report should find necessary information and fill it with high sense of responsibility and sense of patriotism.

## **Round Table on Presentation of the Action Plan of the Government of the Republic Tajikistan on Improvement of Investment Climate in Tourism Sector**

With the purpose of Presentation of the Action Plan of the Government of the Republic Tajikistan on Improvement of Investment Climate in Tourism Sector to a wide range of private sector, state authorities and development partners on June 26, 2014, a Round Table was conducted by Secretariat of the Consultative Council on Improvement of Investment Climate under the President of the Republic of Tajikistan in collaboration with State Committee on Investments and State Property Management of the Republic of Tajikistan and Committee on Affairs of Youth, Sports and Tourism under the Government of the Republic of Tajikistan in the city of Dushanbe.

Representatives of the ministries and agencies of the Republic of Tajikistan, heads and representatives of international organization as well as heads of business organizations, associations and private businesses of tourism sector participated in the Round Table.

It should be noted that participants had discussion and provided their useful ideas and proposals on effective implementation of the Action Plan of the Government of the Republic of Tajikistan on Improvement of Investment Climate in Tourism.

### **Round Table on Presentation of Reforms' Results on Improvement of Investment and Business Climate in the Republic Tajikistan**

December 18, 2014, a Round Table on Presentation of Reforms' Results on Improvement of Investment and Business Climate in the Republic Tajikistan was held by initiative of Secretariat of the Consultative Council on Improvement of Investment Climate under the President of the Republic of Tajikistan in the city of Dushanbe.

The Round Table was attended by more than 100 representatives from business, heads and representatives of sectoral business associations, a number of state agencies and development partners.

In the beginning of the Round Table Head of Secretariat of the Consultative Council on Improvement of Investment Climate under the President of the Republic of Tajikistan-Numon Abdujaborov made a speech and noted that the goal of holding the Round Table is to present the results of conducted reforms during the current year in the framework of the activity of the Consultative Council on Improvement of Investment Climate under the President of the Republic of Tajikistan, His Excellency Emomali Rahmon.

Then Deputy Chairman of the State Committee on Investment and State Property Management of the Republic Tajikistan Mrs. Nigina Anvari had the opening speech and emphasized that entrepreneurship support, private sector development and creation of favorable climate for investment are one of important direction of activity of the Consultative Council.

For this purpose by initiative of the Consultative Council jointly with relevant ministries, agencies and private sector the Law of the Republic of Tajikistan "On State Protection and Support of Entrepreneurship in Tajikistan" in new edition taking into account best international experience and the second stage of Program on State Support of Entrepreneurship for 2012-2020 years for three next years, that is 2015-2017 which is currently being implemented.

Also in accordance with world best practice the Law of the Republic of Tajikistan "On inspection of economic entities activity" is being developed.



Also Head of Representation office of the International Finance Corporation in Tajikistan, Christopher Miller had an opening speech at the Round Table and expressed its opinion in regard with achievements of reforms on improvement of investment climate in the country.

Particularly it was pointed out that Tajikistan for the third time has been included to the list of ten top reformer countries in the Doing Business -2015 Report of the World Bank and the share of Secretariat of the Consultative Council is being assessed highly in this achievement. At the Round Table the Republic of Tajikistan has been awarded with Certificate of the best reformer country by the World Bank as a sign of recognition of significant reforms on improvement of doing business conditions among the 189 countries worldwide. This award will more enhance the confidence of the foreign investor for investing to the country economy.

Regarding the results of conducted reforms on improvement of investment climate in the country Head of Secretariat of the Consultative Council on Improvement of Investment Climate under the President of the Republic of Tajikistan-Numon Abdujaborov made a report. Particularly the Action Plan of the Government of the Republic of Tajikistan on Improvement of the Tajikistan's indicators in the "Doing Business" report of the World Bank, the Action Plan on Outcomes of the Meeting of the President of the Republic of Tajikistan with Entrepreneurs and Investors, outcomes of Economic and Investment Forum Dushanbe - 2014 under the banner "Entrepreneurship-the Engine of the Economy", completion of the process of ratification of Hague Convention (the Apostille Convention on abolition of official documents' legalization dated 1961) by the Republic of Tajikistan and results of the 14th Session of the Consultative Council on improvement of investment climate dated November 17, 2014 as well have been presented to participants.

Also representatives of development partners and private sector had speeches for presentation of reforms on improvement of investment and business climate in the Republic of Tajikistan.

Particularly, on the results of the meeting of the President of the Republic of Tajikistan with entrepreneurs and investors, as well as the results of the Economic and Investment Forum Dushanbe in 2014 under the banner "Entrepreneurship-the Engine of the Economy" Izatullo Lalbekov, Head of Association of Banks of Tajikistan spoke and expressed that these events contributed in increasing the attention of domestic and foreign entrepreneurs and investors for investments in the country. He pointed out that as a result of the meeting of the Head of State with entrepreneurs and investors an Action Plan has been developed and approved by the President of the country. As a result of the Forum a Resolution has been adopted, implementation of which will contribute to further improve investment and business climate.

Farhod Akbarov, Head of Association of Microfinance Organization of Tajikistan expressed in his speech the role of Consultative Council in cooperation with association for reforms implementation on establishment of sovereign credit rating of the Tajikistan. It was noted that with this purpose cooperation has been arranged with world prestigious rating agencies such as Standard & Poor's and Moody's by the National Bank of Tajikistan as well conclusion on appropriation of sovereign credit rating of the Tajikistan will be submitted as on December this year.

Concerning the reforms on development of the secondary market for securities comprehensive analysis has been conducted and draft Action Plan of the Government of the country on development of the secondary market for securities and stock exchanges has been developed.

The speech of Alisher Turakhanov, Director of international consulting and law company AITEN GROUP was dedicated to benefits of the Republic of Tajikistan accession to the Hague Convention (the Apostille Convention) on abolition of official documents' legalization dated 1961. It was underlined that Majlisi Namoyandagon of Majlisi Oli of the Republic of Tajikistan has ratified this Convention which has key importance for simplification of documentation of entrepreneurs and investors in the Member States of the Convention. Participants have been provided with detailed information about the importance of this Convention.

After presentations a wide range of representatives from the private sector, government authorities and mass media have actively participated in discussions, questions and answers.

In her closing speech, Deputy Chairman of the State Committee on Investments and State Property Management of the Republic of Tajikistan Nigina Anvari noted the gradual improvement of the investment and business climate, in particular direct initiative and support of the President of the Republic Emomali Rahmon. At the same she has expressed confidence that the Secretariat of the Consultative Council on improvement of Investment Climate under the President of the Republic of Tajikistan, State Committee on Investments and State Property Management of the Republic of Tajikistan jointly with representatives of private sector, development partners and other ministries and agencies will make significant efforts for realization of these initiatives of the Head of State, as well as thanked all the Round Table participants for their active participation.

## **8.2. Seminars**

On July 18, 2014 in Dushanbe, Secretariat of the Consultative Council on Improvement of Investment Climate under the President of the Republic of Tajikistan jointly with the State Committee on Investments and State Property Management of the Republic of Tajikistan held a seminar on strengthening

cooperation between Secretariats of the Consultative Council on Improvement of Investment Climate under the President of the Republic of Tajikistan and regional councils on improvement of investment and business climate in provinces, cities and districts of the republic.

The seminar was attended by representatives of government agencies, secretariats of the regional councils on improvement of the investment and business climate, the private sector and development partners in Tajikistan.

The purpose of the seminar is to strengthen the public private dialogue, and also exchange of views between partners.

In the seminar the issues of factors impeding the appliance and complying with laws, causes of emerging issues and their solutions were raised and discussed by representatives ministries and agencies, the private sector, business associations, civil society and donors. It was noted that such discussions contribute to the development of public-private dialogue and to the solution a wide range of relevant issues.

Also heads of secretariats of the national and regional Consultative Councils on Improvement of Investment Climate offered their recommendations on strengthening of relations and cooperation between the secretariats of the Consultative Councils of national and regional levels.

Particularly, participants discussed ways to improve of coordination of mutual cooperation in preparation of proposals and recommendations to the Consultative Council and conducting analysis and evaluation of proposals on improvement of investment and business climate for the sessions of the consultative councils of national and regional levels. The seminar also reflected how monitor implementation of decisions made by Councils of national and regional levels. It was noted that implementation of aforementioned recommendations can contribute to the strengthening of cooperation between the secretariats of the consultative councils of national and regional levels, and improve the investment climate in the country.

### **8.3. Forums**

On September 10, 2014, in the National Library of the Republic of Tajikistan in the framework of forthcoming meeting of Heads of member states of Shanghai Cooperation Organization, Business Forum of business communities of SCO member states, on its organization and conduction the Secretariat' staff have had an active participation.

The Business Forum organized and carried out under the direct supervision of the State Committee on Investments and State Property Management of the Republic

of Tajikistan involved about 300 representatives of business communities and entrepreneurs from the Republic of Kazakhstan, People's Republic of China, Russian Federation, Republic of Tajikistan, Republic of Uzbekistan, Mongolia, India, Turkey, as well as senior officials of international and regional organizations.

Main purpose of the Business Forum was to strengthen business cooperation between the business communities of the Shanghai Cooperation Organization member states, search for new partners, discussion of urgent issues and perspective areas of cooperation, synergy of professional capacity of the SCO business community to develop proposals and recommendations for the upcoming meeting of the Heads of Organization's members states, development of multilateral business communications, promotion of mutual interest and expansion of business contacts between entrepreneurs and investors of the SCO states.

Then the audience was greeted by the First Deputy Prime-Minister of the Republic of Tajikistan, H.E. Davlatali Said, Mr. Mezencev D.F. – Secretary General of the Shanghai Cooperation Organization, Ms. Paltasheva M.T. – Chairperson of the National Part of SCO Business Council from the Republic of Kazakhstan, Yu Ping – Chairperson of the National Part of SCO Business Council from the People's Republic of China, Mr. Sharshekeev Marat Duyshebaevich – Chairperson of the National Part of SCO Business Council from the Kyrgyz Republic, Mr. Katyryn Sergey Nikolaevich – Chairperson of the National Part of SCO Business Council from the Russian Federation, Mr. Shaykhov A.E. – Chairperson of the National Part of SCO Business Council from the Republic of Uzbekistan, Mr. Mahmut Err – Chairperson of Turkish-Tajik Business Council under the Committee on External Economic Relations of the Republic of Turkey, Mr. Khamitov R.Z. – Acting President of the Republic of Bashkortostan, representatives of ministries and departments, businesses communities and community-based organizations of member states of the Shanghai Cooperation Organization, as well as observer countries and dialogue partners.

Chairperson of the State Committee on Investments and State Property Management of the Republic of Tajikistan Mr. Kodiri Qosim made a presentation at the Business Forum with substantial information on “Investment Potential of Tajikistan”. Regarding this presentation comprehensive information on investment potential of the Republic of Tajikistan and perspectives of its development was submitted.

In the second part of the Business Forum participants were divided into the following sections by sector interests:

1. Co-operation in the area of industry and new technologies, energy and energy security of the SCO.
2. Development of agriculture and food security of the SCO states.

3. Role of financial institutions in the SCO.
4. Elimination of trade barriers in the SCO through development of transport corridors.
5. Development of tourism in the SCO.

Summarizing outcomes of the Business Forum, participants endorsed a Resolution, which states the needs and opportunities of mutually beneficial economic cooperation in implementing joint projects within the Shanghai Cooperation Organization.

**On September 25-26, 2014** the Secretariat of the Consultative Council' staff participated in International Economic Forum "Rasht Valley - Opportunities for Development".

The event is dedicated to the socio-economic development of districts Rasht Valley, including Rasht, Nurabad, Jirgatal, Tavildara and Tojikobod districts was conducted.

The main purpose of the Forum is monitoring, evaluation and coordination of the various implementing projects in this region, discussion of implementation process of state programs Action plans on socio-economic development of these districts, attracting capital, tourism development, and other aspects of economic and investment development in Rasht Valley.

Also it is planned to hold Round Tables on discussion of the issues of business development (agribusiness, tourism, handicrafts, etc.), social development of the region (education, health, gender equality, etc.) and scientific-practical conference in the framework of the Forum.

**On October 27-28, 2014 октябри соли 2014** in the government residence Kokhi Somon the first investment forum of the Organization of Islamic Cooperation (OIC) for the countries of Central Asia was conducted, on which the Secretariat' staff had a active participation.

This forum is being held under the OIC Plan of Action for Central Asia. The forum will focus on cooperation in the fields of agriculture, transport, poverty reduction, education, science, technology, tourism and health.

The forum is attended by representatives of OIC Member States, international financial institutions, structures for development cooperation, as well as the private sector and investors of Member States of the organization.

The Forum was involved by President of the Republic of Tajikistan, heads and representatives of relevant country bodies and country-members of Organization, as well as Central Asia, international and regional financial organizations, institutions on development of cooperation and country-members investors,

entrepreneurs' community of country-member of Organization and sectoral specialists.

The Secretary General of the Organization of Islamic Cooperation (OIC) Iyad Amin Madani, Chairman of the Islamic Development Bank Ahmad Muhammad Ali, Minister of Foreign Affairs and International Cooperation of Libya, Muhammad al-Giran, Deputy Foreign Minister of Saudi Arabia Turki ibn Muhammad ibn Saud Al -Kabir, Minister of State of the United Arab Emirates Gabbosh Abdullah, Minister of Foreign Affairs of the Republic of Sudan Ali Ahmad Al-Karti, Deputy Minister of Foreign Affairs of the Islamic Republic of Afghanistan Atikulloh Atifmal and acting director of the Qatari company Diyor-Tajikistan Kamol Hijazi also spoke in the first part of the forum.

Investment forum of the Organization of Islamic Cooperation for countries of Central Asia continued its work in separate working sections on which issues of transport and infrastructure, contribution to the trade and investment, agriculture, sale of agricultural products and the development of rural infrastructure, tourism, art, science and technologies were discussed.

In the framework of this forum a range of agreements and memorandums are signed and on its completion a Forum Resolution was adopted.

**On November 27, 2014** the Secretariat' staff participated in Business Forum of Tajik and Czech Entrepreneurs which was conducted in the National Library of Tajikistan with participation of the President of the Republic of Tajikistan, His Excellency Emomali Rahmon and President of the Czech Republic, Mr. Milosh Zeman.

The Business Forum involved more than 400 entrepreneurs and investors of the Republic of Tajikistan and Czechia, representatives of range of state authorities of both countries.

In the beginning of the event the President of the Republic of Tajikistan, His Excellency, esteemed Emomali Rahmon and the President of Czech Republic, Mr Milosh Zeman had a speech and wished success to the participants on effectiveness of them in the work of Business Forum of Tajikistan and Czech Entrepreneurs.

Then in the continuing work of Business Forum the Chairman of State committee on Investment and State property Management of the Republic of Tajikistan, co-chairman permanent intersectional working group of Tajikistan and Czech on issues of economic and industry cooperation – Qodiri Qosim, Deputy Ministry of trade and industry of Czech Republic – Bertl Vladimir and Head of Entrepreneurs delegation of Czechia President of Industry and Transport Union of the Czech Republic – Yaroslav Ganak delivered speeches.

At the Business Forum a range of agreements and memoranda were signed. Bilateral negotiations followed the official meetings where entrepreneurs and investors of both countries have had a chance to discuss business cooperation.

#### **8.4. Participation in the Working Groups**

Inter-ministerial working groups are formed to implement specific decisions of the Council. Relevant ministries and agencies, private sector and development partners work together in the working groups. Representative of Secretariat of the Consultative Council participates as a member of working groups. Working groups perform comprehensive analysis of issues in the various sectors of economy and submitted suggestions for elimination of barriers.

Following analysis and recommendations, the working group also produces a recommended Action Plan for the consideration at the Consultative Council Sessions. Then with the instruction of the Chairman of the Council, President of the Republic of Tajikistan the Action Plan is improved and submitted for the consideration and approval by relevant ministries and agencies.

In 2014, the Secretariat have actively participated in the following working groups:

- Inter-ministerial Working Group on the 1961 Hague Convention (Apostille Convention) on abolition of legalization of public documents;
- Inter-ministerial Working Group on improvement of business and investment climate under the National Bank of Tajikistan;
- Inter-ministerial of Working Group on improvement of investment climate on insurance sector under the Ministry of Trade Development and Economy of the Republic of Tajikistan;
- Inter-ministerial Working Group on development of Law of the Republic of Tajikistan “On Insurance Activity” in a new edition under the Ministry of Trade Development and Economy of the Republic of Tajikistan;
- Inter-ministerial Working Group on improvement of secondary market for securities and stock exchange under the National Bank of Tajikistan;
- Inter-ministerial Working Group on improvement of investment climate in the industry, supporting domestic producers under the Ministry of Industry and New Technologies of the Republic of Tajikistan;

## **9. KEY PRIORITIES OF THE CONSULTATIVE COUNCIL IN 2015**

Further activity of the Consultative Council's Secretariat would be focused on convening the Sessions of Consultative Council, monitoring the implementation of the accepted decisions of the Consultative Council, developing Action Plans of the Consultative Council's Secretariat and explaining the process of economic reforms and achievements to public.

The following directions would be key priorities of the Consultative Council in 2015.

### **9.1. Establishment of the Tajikistan's Sovereign Credit Rating**

Government's another objective to improve the investment climate is to establish Tajikistan's sovereign credit rating. Experts from S&P and Moody's have already visited the country for preliminary evaluation. Their preliminary conclusion on Tajikistan's standing and action plan would be prepared by end of February 2015.

Towards the above objective, the Secretariat is planning the following activities in the future:

1. Summarize the necessary legislative amendments and draft a package of normative acts based on the Working Group's conclusions for subsequent submission to the Government.
2. Arrange effective cooperation and access to information between agencies Standard & Poor and Moody's relevant ministries and agencies.

### **9.2. Following up on Reform on Improvement of Investment and Business Climate in the Insurance Sector**

During the 13<sup>th</sup> Session of the Consultative Council Ministry of Economic Development and Trade was instructed together with the Ministry of Finance to establish a multi-stakeholder Working Group to draft Law of the Republic of Tajikistan "On Insurance Activity" in a new edition. This Draft law must be coordinated and adopted in defined time.

For the purpose of implementation of this instruction an inter-ministerial working group on development of draft Law of the Republic of Tajikistan "On Insurance activity" in a new edition has been established under the Ministry of Economic Development and Trade of the Republic of Tajikistan since July 8, 2014. Up today within its meetings this draft Law has been developed in Russian taking into account recommendations of the Working Group Report on improvement of



investment and business climate in insurance sector and best international practices.

Particularly during a regular meeting draft Law of the Republic of Tajikistan “On Insurance activity” in a new edition has been presented to the members of the Working Group and also to invited delegation of the World Bank Group experts that was highly assessed by them. Draft Law has been sent to the World Bank experts for studying and taking comprehensive comments and will be improved more taking into account their recommendations.

It is expected that up to the end of this year draft Law of the Republic of Tajikistan “On Insurance” in a new edition will be coordinated with relevant ministries and agencies as well as submitted to Government of the Republic of Tajikistan for consideration up to the end of first half of 2015.

### **9.3. Following up on Reform on Development of Secondary Market for Securities and a Stock Exchange Market**

As it was noted earlier, a Working Group under the National Bank of Tajikistan was established by involving representatives of relevant ministries and agencies, private sector and development partners for the purpose of studying the challenges and proposing recommendations for development of secondary market for securities and stock exchanges. The Working group considered a range of issues and barriers of development of secondary market in its meetings as well as analyzed contradictions on legislatives regulating secondary markets for securities and stock exchanges with participant of development partners.

The result of the effective activity of the Working Group, including a Report on Development of Secondary Market for Securities and Stock Exchanges with comprehensive recommendations and draft Action Plan of the Government of the Republic of Tajikistan Development of Secondary Market for Securities and Stock Exchanges have been presented in the 14<sup>th</sup> Session of the Consultative Council on Improvement of Investment Climate under the President of the Republic of Tajikistan.

It should be noted that secondary market for securities and stock exchanges considered as one of the most important elements of financial sector of the economy, which can provide actual precondition for creating free funds and investing them to other sectors of the economy.

Regardless the fact that all of the country's financial and monetary indicators have increasing trends, until today one of the main causes of insufficient development of secondary market for securities and stock exchanges are primarily imperfection of legislation of the sector and its institutional structure. Solution of these issues will enhance the confidence of foreign and domestic investors to the financial and banking system of the country.

In this context, in the 14<sup>th</sup> Session of the Consultative Council it was instructed to the National Bank of Tajikistan by the Chairman of the Council, the President of the Republic of Tajikistan, His Excellency Emomali Rahmon to improve draft Action Plan of the Government of the Republic of Tajikistan Development of Secondary Market for Securities and Stock Exchanges and submit it for consideration to the Government of the country.

Also, National Bank of Tajikistan jointly with the Ministry of Finance, State Committee on Investments and State Property Management were instructed to provide regular issuance and sale of government securities on the market price and submit information on their results to the Government of the country.

Moreover, according to the protocol instructions of 14<sup>th</sup> Session the National Bank of Tajikistan jointly with other relevant ministries and agencies were obliged to undertake necessary measures on improvement the legal framework on secondary market for securities and stock exchanges and its institutional structure.

#### **9.4. Improvement of Investment Climate in the Sectors of Industry, Supporting Domestic Producers and Development of National Production**

As it was noted in the third section of this report, in the 13<sup>th</sup> Session of the Consultative Council reforms have been launched improvement of investment climate in the industry, supporting local producers and national development by instruction of the President, the Chairman of the Consultative Council. In this context, interagency Working Group has been established and is being operated under the Ministry of Industry and New Technologies by involving representatives from the private sector and development partners.

The activity of this Working Group is focused on conducting in-depth analysis of issues in the mining industry and the processing of local raw materials to final products and provides specific recommendations to eliminate them.

National experts are involved for conduction of this analysis with the support of development partners.

It is expected that up to the 15<sup>th</sup> Session of the Council, which will be held on about April-May of 2015, Report and recommendations of the Working Group on Improvement of Investment Climate in the sectors of industry, supporting domestic producers and development of national production will be submitted .

#### **9.5. Improvement the Investment Climate in the Agricultural Sector and Development of Agribusiness**

Last years a number of significant reforms were conducted in agricultural sector of the country which main goal was reconstruction of the sector, creation of new jobs,

increase the competitiveness of agricultural products directed on export and based on this to ensure food security of the country.

Government of Tajikistan pays special attention and gave priority to ensure sustainable development of the agricultural sector, including the improvement of the arable land using culture, particularly irrigated land and growing 3-4 crop harvest in a year and therefore many state programs have been adopted and implemented.

However, according to the analysis of ensuring the country food security undertaken measures and their implementation progress are still insufficient. As the country consumer market still highly depends on imported food.

Conducting the total reforms on agricultural sector ensure provision of the food security of the country on the basis of an effective economic policy and active participation of private sector in agricultural activity and agribusiness.

Agricultural sector is one of significant sectors of the national economy as well as one of the strategic objectives of the government that is to ensure food security in the country and improving the economic state of population has a deep dependence on the level of development in this sector.

Therefore, in the 14<sup>th</sup> Session of the Consultative Council the Chairman of the Consultative Council, the President of the Republic Emomali Rahmon instructed Ministries of agriculture, economic development and trade, the State Committee on Investments and State Property Management to establish an interministerial Working Group consisting from representatives of relevant ministries and agencies, private sector and by involving development partners to conduct comprehensive analysis of agricultural sector and agribusiness development and to submit the results to subsequent sessions of the Council.

Therefore, currently preparatory works are being conducted by the Ministry of Agriculture on establishment of an interagency Working Group from among of representatives of relevant ministries and agencies, private sector and development partners. The Secretariat of the Consultative Council also submitted its representative for membership to the Working Group and through this will coordinate collaborations between government agencies, the private sector and development partners on conducting analysis and preparation of comprehensive recommendations to the Council.

## **9.6. Development of Draft Law of the Republic of Tajikistan “On Investment” in New Edition**

It should be noted that one of ways of improvement of investment climate and attracting investments is protection of investors through providing the necessary legal framework. For this purpose, the Laws of the Republic of Tajikistan "On

Investment", "On Investment Agreements", "On Public Private Partnership", "Agreement on the Distribution of Products", "On Concession", the Concept of Public Policy Involvement and Protection of Investment and other legal acts were adopted and are being implemented.

However, with the purpose of more favorable investment conditions in Tajikistan, the acting legislation in this direction should be reviewed. For example, the Law of the Republic of Tajikistan "On Investment" has general nature and does not reflect the specific mechanism of implementation of rights and guarantees to investors.

In the legislation in regard with regulation of investment activities a number of benefits and privileges to attract more investment have been stipulated. Mainly these privileges are stipulated in priority sectors of the national economy, such as agriculture, mining, the final product processing, energy and other sectors. Privileges shall be presented in form of incentives on custom duties, taxes as well as financial and regulatory incentives and separate grants.

However there are a number of problems still in this area as well as perfect mechanism of investment privileges submission has not developed that create barriers for attracting of foreign investment to the country. Particularly, tax incentives are prescribed for the investors with a certain amount of investment in the Tax Code. So as investment can be attracted in-kind as the equipment and technology. This case will limit attraction of foreign investors and create barriers for import of modern equipment and technologies.

In concern with this, the President of Tajikistan, His Excellency Emomali Rahmon instructed to develop the Law "On Investment" in a new edition and to introduce the necessary changes on existing legislation relating to modern requirements and international obligations of Tajikistan in his speech at the Meetings with entrepreneurs and investors.

As a result of Meeting of the President of the Republic of Tajikistan with entrepreneurs and investors, which was held on October 14, 2014, the Action Plan dated on October 31, 2014 was adopted in which this issue is reflected and is being implemented by the ministries and agencies.

In line with this currently an interagency Working Group on development of the Law "On Investment" in a new edition is being established under the State Committee on Investments and State Property Management of the Republic of Tajikistan.

## **9.7. Establishment of Investment Climate National Rating**

Improvement of business and investment climate in regions is linked with local executive bodies, because investors and entrepreneurs with their projects go to them.

Today regional councils on improvement of investment climate are being functioned successfully in the GBAO, Sugd and Khatlon Provinces, Kulob, Istaravshan, Isfara, Pyanjakent cities, Farkhor district and Rasht Valley.

The main aim of the regional councils is creating favorable conditions for business and attracting more investments to the economy of cities and regions that is also directed on well-being of residents, replenishment of the state local and national budget and strengthening the collaboration of public and private sectors.

Therefore according to the Action Plan of the Meeting of President of the Republic of Tajikistan with entrepreneurs and investors from October 14, 2014 is prescribed to establish national rating of business and investment climate in the regions of the country as a logical continuation of reforms in this direction.

According to the essence this is a mechanism of assessing the state of business and investment climate, implementation of reforms aimed at development of business and investment in each region based on opinion and evaluation of operating investors and entrepreneurs of the region. But the national rating of business and investment climate should not be just an evaluation system. It must be a very effective tool on conducting the set of reforms at the national and regional levels as well as facilitate the exchange of successful management experience.

Along with this it is necessary to take concrete measures aimed at stimulating the regions to improve the business and investment climate before establishment of the rating.

### **9.8. Organization of the First Anniversary of the National Day of Entrepreneurs on October 14**

It should be noted that business and private sector development as well as make the business and investment climate in comply with international standards is one of the goals of the Government of the Republic of Tajikistan. To achieve this goal the Government of the country conducts serious reforms in recent years.

Accession to the World Trade Organization (2012), United Nations Convention or the New York Convention on recognition and implementation of foreign arbitration decisions, Hague Convention (Apostille Convention) on abolition of legalization of foreign official documents (2014) undoubtedly will give a major boost to enhance international reputation of Tajikistan, to develop foreign trade, attraction of investment, to ensure competitiveness of domestic products in global markets, improving business activity and development of the private sector.

In continuation of implemented reforms the Laws of the Republic of Tajikistan "On State Protection and Support of Entrepreneurship" in a new edition, "On Investment Agreements", "On Public Private Partnership", "On Permitting System", "On Moratorium of all Type of Inspections for Production Sector", Concept of State Policy on Attraction and Protection of Investment, Program of

State Support of Business for 2012-2020 as well as a number of sectoral programs and strategies were adopted and modifications and amendments were introduced to several regulatory legal documents that create a favorable preconditions for attraction of investment and business development.

The first phase of implementation of the Program was completed in 2012 - 2014, and during this period significant works have done on improvement of national legislation of entrepreneurship, modernization of production and technological processes, attraction of domestic and foreign investment and strengthening the cooperation of state with private sector.

In 2015 the second phase of the Program is began and it is necessary for State Committee on Investments and State Property Management jointly with relevant ministries and agencies to improve the draft Action Plan on Implementation of the Second Phase of the Program and to submit it to the Government of Tajikistan.

In order to provide real support of entrepreneurs through providing access to finance resources a State Enterprise "Entrepreneurship Support Fund" was established and 63 million of TJS were allocated from state budget. It is expected that 130 million of TJS in 2015 and up to one billion of TJS for the next 7 years will be allocated to the Fund's capital.

Regarding the new Tax Code it was noted that the number of tax reports reduced to 86% and number of tax payments to 43%. Replacement of sales tax on cotton fiber with export custom duty is under the consideration of relevant authorities.

It was reminded that such incentives should be provided to enterprises that through the processing of cotton fiber promote to enhance export capacity of the country, increase value-added cost and mostly to create new jobs.

The Ministry of Finance jointly with relevant ministries and agencies were obliged to undertake necessary measures on simplification of tax administration, implementation of Tax Code and elimination of shortcomings, prepayment of taxes and challenges of the VAT retain and submit report on results of implemented works to the Government of the country.

Regarding of business development in the education sector through establishment of schools, lyceums, gymnasiums, private kinder gardens and other facilities of additional education in order to encourage the private sector to develop and to enhance intellectual capital it was noted to reduce rate of VAT for educational facilities.

Regarding to arrange compulsory insurance services by private-owned insurance companies it was noted to undertake measures on expansion of the scope of activity of engaged companies in compulsory insurance services excepting compulsory state insurance services.

Because of high rate of bank credits' percent, short term of them or a lack of credit for development of certain sectors, especially in rural areas, complex requirements on pledge of property, insufficient use of financial leasing and Islamic banking it was considered necessary that National Bank jointly with the relevant authorities to prepare modern and innovative credit products with a view of improving the key aspects of operational credit products, developing sector specific credit products and expanding micro-leasing and introducing Islamic banking system.

Also in regard with supporting the manufacturing sectors to analyze thoroughly market methods to offer funding for long-term and favorable conditions and submit comprehensive conclusion to the Government.

For the purpose of ensuring transparency, a stable development system and strengthening sustainable activity of economic entities National Bank was instructed to take necessary measures on wide introduction of a variety of non-cash transactions by economic entities.

Statistic Agency was instructed jointly with other ministries and agencies and local authorities of the provinces and cities to arrange training on introduction of modern methods of statistic accounting in regard with share of private sector in the sectors of the economy, inflow of taxes and other payments, foreign investment, including direct investment and other sectors of the economy and submit comprehensive recommendations to the Government.

Regarding the issue of duplicated inspections it was instructed to all inspection authorities to undertake measures on recognizing the inspections of one authority by the structures of the district, provincial and national levels and do not allow duplicated inspections.

In this regard, Government of the Republic of Tajikistan was instructed to define the term for inspection legislation from January 1, 2016 and during 2015 to adopt relevant regulatory legal documents for ensuring effective implementation of inspection reform.

In order to create favorable investment climate and business support on state registration of real estate and rights for it as well as effectiveness of activity of SUE "Registration of Real Estate" State Committee of Land Management and Geodesy was instructed to undertake measures on introduction of "Single Window" system on registration of the real estate as soon as possible and submit information on the results to the Government.

Making price and product quality in comply with international standards is also requirement of accession to World Trade Organization. So in order to increase competitiveness of domestic products and services, effectiveness of the capacity of domestic enterprises introducing simplified system of quality control in manufacturing companies in accordance with international standards and

simultaneously eliminate technical barriers relevant authorities were obliged to take regularly measures on development of and approval of procedure of recognizing documents assessing the conformity of foreign products as well as on introduction of international standards of quality control in domestic enterprises.

At the same time Ministry of Economic Development and Trade, State Committee on Investments and State Property Management were instructed to take continuously measures in cooperation with private sector in order to increase competitiveness of domestic products and increase export capacity of the country regarding the creation of all necessary conditions for domestic producers and exporters, first of all, for private sector through arrangement and reconstruction of logistics infrastructure, highways and bridges, enhance cooperation of private sector with reliable business partners in foreign countries and incentives to exporters of final products.

With the purpose of improvement of investment climate in the industry sector and to increase export capacity of the country 2014-2020 years were announced as period of support of national producers and development of domestic industry in the processing of raw materials. The goal from this is aimed on attraction of more capital, establishment of manufacturing enterprises with import of modern technologies, increasing production of products for export, creating additional jobs.

In concern with this relevant instructions were given to the heads of all cities and districts to increase significantly share of the processing sectors in GDP, create favorable conditions for more improved activity of the private sector including in processing and construction sectors, improve investment climate for national and foreign entrepreneurs and their foreign partners, support their initiatives in local and central level of government and to submit comprehensive information on the results annually to the Government of the country. During the Meeting with entrepreneurs and investors President of the Republic of Tajikistan, His Excellency, Emomali Rahmon expressed gratitude for their significant contribution in strengthening economic foundation of the state independence, establishment of production enterprises and creating jobs, reducing the poverty level in the country, supporting people in needs, prosperity of the country as well as to commemorate efforts for the flourishing of Motherland and also as a symbol of support of entrepreneurs' dedicated and generous activities, October 14 was declared in the country as the Entrepreneurs Day.

## **9.9. Development of Public-Private Dialogue at National and Regional Levels**

At the current stage of economic development, the private and public sectors as well as civil society should also take active part in implementation of priorities identified by the Government.



In this context, the share of Public –Private Dialogue at national and regional level should be significant on improvement of investment climate.

It should be noted that the consultative councils on improvement of business and investment climate operate in GBAO, Khatlon and Sugd Provinces, in Farhor district, in cities of Kulob, Istaravshan, Isfara, Panjikent as well as in the Rasht Valley. These councils work to promote dialogue between the state and the private sector at the sub-national level.

As the favorable legal framework for the establishment of such councils is now also stipulated in the law "On State Protection and Support of Entrepreneurship".

Therefore, in the 14th Session of the Consultative Council, Chairman of the Consultative Council instructed executive local governments of GBAP, Sugd and Khatlon Provinces, cities and districts under the republic to establish consultative consuls under the chairmen of cities and districts in cooperation with the private sector as well as to create the necessary conditions for their effective activity.

#### **9.10. Support to Dissemination of Economic and Legal Skills among the Private Sector. Promoting Modern and Innovative Management in Businesses (through business incubators)**

One of the main challenges for the development of the private sector is the low capacity and economic and legal knowledge of entrepreneurs.

Because forming and development of business and private sector have been arranged in the Republic of Tajikistan during 23 years of independence period as well as local entrepreneurs still do not have enough experience to start and run successful businesses in various sectors and to cooperate effectively with foreign partners.

Admittedly, the present level of legal and economic knowledge and financial skills of most entrepreneurs do not meet modern requirements. Many entrepreneurs experience difficulty to develop proper investment projects and business plans to receive funding.

Due to the fact that entrepreneurs do not fully know their rights, inspection authorities create barriers and prevent to entrepreneurs in most cases.

Analyses show that the managers of industrial enterprises have the technical expertise in the processing of food products but they do not have enough business and management skills.

In addition, the current system does not offer necessary vocational skills to graduates. Therefore, the structure of its existing business rarely advances technological improvements.

According to the International Finance Corporation's survey, only 38 percent of businesses have a website, while in the countries of Central and Eastern Europe, this figure is 60%. Also, only 58% of businesses employ e-mail to contact customers, while in Central and Eastern Europe this figure stands at 88%.

To address this complex issue, efforts should not only focus on short-term training for entrepreneurs, but should also aim introduce basic business training in secondary school and university curricula.

Therefore, during the meeting with entrepreneurs and investors, the President instructed the State Committee on Investments and State Property Management, the Ministry of Economic Development and Trade, Ministry of Education and Science, Tax Committee, Customs Service, Tojikstandard agency, and other relevant bodies to put in place measures to raise the legal, economic and financial skills of the public. Specifically, the government agency should help raise public awareness on taxation, import and export operations and ways to improve the quality of its products, development of investment projects and business plans, accounting principles. Basic training in entrepreneurship should be part of the secondary school education.

As noted earlier, all of recommendations and orders of the head of state made in a meeting with the entrepreneurs and investor on 14 October 2014 are formulated in an Action Plan of the President of the Republic. The action plan was approved on 31 October 2014 and ministries for ministries and other state bodies to implement.

#### **9.11. Strengthen Cooperation with Development Partners on Their Support for Conducting Investment Climate Analysis**

It is necessary to note that development partners play a significant role in advancing economic reforms, including those related to improvement of investment and business climate.

In this context, we need to continue coordination of activities for further improvement of investment and business climate among the development partners and vis-à-vis the state.

Therefore, again during the 14th Session, the Council recommended to the development partners to take active part in implementation of Council's decisions and improve the effectiveness of their project particularly economic and financial effectiveness.

At the same time, partners' projects should be in line with the objectives of Tajikistan economic development and during the implementation of projects national priorities must be at the first place.

Chairman of the Consultative Council, His Excellency Emomali Rahmon expressed with confidence that partnership in this area will be further intensified.

## **10. COVERAGE OF THE CONSULTATIVE COUNCIL'S ACTIVITY IN MEDIA**

In addition to its organizational functions, the Secretariat also provides information support of the Consultative Council. In line with this the information support is an integral part of the Secretariat's activity that attached particular importance to the issue of dissemination of information to the society and provision of transparency as part of process of a public-private dialogue.

To highlight reform process, the Secretariat disseminates a Monthly Bulletin of the Consultative Council and publishes newspaper articles on process of economic reforms. The Head and experts of the Secretariat of the Consultative Council gave interviews to the media and maintain comprehensive information on the Council's website.

To share information to partners about Consultative Council's activity, its Secretariat presents important developments in business, investment and public-private dialogue in its Monthly Bulletin. During the reporting period, the Secretariat published 11 Bulletins in Tajik and English, shared with partners and published on [www.investmentcouncil.tj](http://www.investmentcouncil.tj)

After each Session of the Consultative Council, the Secretariat issues a press release on the process of the Session, its agenda, results of monitoring the implementation of the Consultative Council decisions. Also during the reporting period, Secretariats hared with partners a number of separate information materials on activities and achievements of the Consultative Council.

In addition, on February 06, 2014 during the round table meeting, Secretariat presented a booklet "The Public-Private Partnership for Sustainable Development". The booklet presents key priorities, format of the Consultative Council and its Secretariat's activities. This booklet was published for wider dissemination of information about the Consultative Council and its activity not only in the country but also among the international community. The booklet was published in three languages - Tajik, Russian and English.

The key topics of the Consultative Council's reforms efforts in tourism, Doing Business indicators, the Hague Convention and establishment of sovereign credit rating were covered regularly in "Asia Plus" as well as in other publications.

Also in the framework of preparation and conducting the Sessions of the Consultative Council Head of the Secretariat of the Consultative Council speaks on TV channels.

## CONCLUSION

Thus, as a result of the activities of the Secretariat of the Consultative Council the following results were achieved in 2014:

1. Approval of the Action Plan of the Government of the Republic of Tajikistan on Improvement of the Tajikistan's indicators in the Doing Business Report of the World Bank Group dated May 3, 2014, #300.
2. Approval of the Action Plan of the Government of the Republic of Tajikistan on Improvement of Investment Climate in Tourism dated May 3, 2014, #301.
3. Conduct analysis on the state of development of entrepreneurship in the country due to preparation for Meeting of the President of the Republic of Tajikistan with Entrepreneurs and Investors.
4. Arrangement and Conducting the Meeting of the President of the Republic of Tajikistan with Entrepreneurs and Investors dated October 14, 2014 Development of the Action Plan on Implementation of the President's instructions in the result of Meeting with Entrepreneurs and Investors dated July 14, 2014 as well as its approval since October 31, 2014.
5. Arrangement and Conducting the Economic and Investment Forum Dushanbe - 2014 under the Banner "Entrepreneurship-the Engine of the Economy. Adoption of a number of agreements and memorandums as well as Resolution of the Economic and Investment Forum Dushanbe – 2014 under the banner "Entrepreneurship-the Engine of the Economy“
6. Ratification of Hague Convention (the Apostille Convention on Abolition of Official Documents' Legalization Dated 1961) by Parliament of the Republic of Tajikistan from 29 October 2014.
7. Establishment of cooperation with world famous rating agencies like Standard & Poor's and Moody's in regard with establishment of sovereign credit rating of the Republic of Tajikistan;
8. Recognition of the Republic of Tajikistan for the third time as a top reformer country in the Doing Business report of the World Bank in 2015.
9. Preparation and presentation of Report on Development of the Insurance Sector with comprehensive recommendations, drafting and approval of the Action Plan of the Government of the Republic of Tajikistan on Improvement of Investment Climate in the insurance sector dated December 31, 2014, №788.
10. Preparation and presentation of Report on Development of Secondary Market for Securities and Stock Exchange Markets with comprehensive recommendations as well as draft Action Plan of the Government on

## Development of Secondary Market for Securities and Stock Exchange Markets.

Conducted reforms contributed in improvement of investment and business climate as well as gave a major impetus to development of the private sector and attraction of more capital to the national economy. For example, as a result of conducted reform there were registered 285 284 business entities up to December 1, 2014 in the country that is more by 21 686 entities or 8,2 percent compared to the same period in 2013. Share of the private sector in country GDP in 2014 is accounted 63 percent and private sector provides more than 64 percent of people employment in Tajikistan. Private sector and entrepreneurship development in the country has also contributed in reducing the poverty and this indicator in 2014 has been decreased to 32 percent.

The Consultative Council does not intend to be limited with achieved results and will continue reforms. In 2015 reforms will be conducted in a number of priority areas, including:

- Activity Coordination for Establishment of Sovereign Credit Rating of the Country;
- Following up on Reform on Improvement of Investment and Business Climate in the Insurance Sphere;
- Following up on Reform on Development of Secondary Market for Securities and a Stock Exchange Market;
- Improvement of Investment Climate in industrial sectors and protection of domestic manufactures;
- Improvement of Investment Climate in Agriculture and Development of Agribusiness;
- Development of Draft Law of the Republic of Tajikistan “On Investment” in New Edition;
- Establishment of National Rating of Investment Climate;
- Arrangement and Conducting the First Anniversary of the National Day of Entrepreneurs on October 14;
- Development of Public-Private Dialogue at National and Regional Level;
- Promoting the advancement economic and legal knowledge and skills of entrepreneurs. Strengthening works on the introduction of innovative management practices in business (business incubators);
- Strengthening Cooperation with Development Partners on their Support for Conducting Investment Climate Analysis.

**The main events in 2014 in the framework of the  
Consultative Council under the President of the Republic on improvement of  
the Investment Climate**

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6 February	The Round table was held on the theme Consultative Council on Improvement of Investment Climate under the President of the Republic of Tajikistan - as a means to facilitate open dialogue between the public and private sectors
3 May	The Government of the Republic of Tajikistan has approved an action plan for the improvement of the indicators in the report "Doing Business" of the World Bank
3 May	The Government of the Republic of Tajikistan has approved the Action Plan on Improvement of the Investment Climate in Tourism
30 May	The Consultative Council on Improvement of Investment Climate under the President of the Republic of Tajikistan has conducted its 13 <sup>th</sup> Session.
4 July	The Round table was held on the reforms to improve country's ranking on World Bank's "Doing Business" rankings
18 July	A seminar was organized on strengthening the cooperation between the Secretariat of the Consultative Council on Improvement of Investment Climate under the President of the Republic of Tajikistan and regional Councils in regions, cities and districts.
10 September	A Business Forum of member countries of the Shanghai Cooperation Organization has held as part of the Summit of the SCO member countries
25-26 September	The International Economic Forum "Rasht Valley-development opportunities" took place in Garm, Rasht District
14 October	The President of the Republic of Tajikistan met with Entrepreneurs and Investors
15 October	The Economic and Investment Forum Dushanbe - 2014

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"Entrepreneurship-the Engine of the Economy has held in Dushanbe

- 15 October During the Economic and Investment Forum, the following documents were signed:
- A Memorandum of understanding between the State Committee on Investments and State Property Management of the Republic of Tajikistan and Singapore's Methanol Institute on cooperation and partnership
  - A Memorandum of cooperation between the Ministry of Health and Social Protection of the Republic of Tajikistan and the Medical Quality Association of the Russian Federation to develop medical education system on PPP approach
  - A Memorandum of understanding between the State Unitary Enterprise Tajik Aluminum Company and the Company Glinkor International Switzerland on cooperation and partnership.
  - A Memorandum of cooperation between the State Committee on Investments and State Property Management of the Republic of Tajikistan and the Office of the Organization for Security and Cooperation in Europe (OSCE) on the establishment of business incubators.
- 27-28 October The First investment Forum on cooperation with the countries of Central Asia was held in the framework of the Action Plan of the Organization of Islamic Cooperation.
- 29 October The Parliament of the Republic of Tajikistan has ratified the Hague Convention (the Apostille Convention on Abolition of Official Documents' Legalization Dated 1961).
- 31 October The Government approved an Action Plan of of the Republic of Tajikistan based on the suggestions from the President's meeting with investors and entrepreneurs
- 17 November The Consultative Council on Improvement of Investment Climate under the President of the Republic of Tajikistan has conducted it's 14<sup>th</sup> Session.
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27 November	The Government held a Business forum between Czech-Tajik entrepreneurs
18 December	The Round table has held on the presentation of the results of reforms to improve the business and investment climate in the Republic of Tajikistan.
31 December	The Action Plan of the Government of the Republic of Tajikistan has approved on improvement of investment and business climate in the insurance sector

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## 2014 Acts Adopted

**in the framework of the activities of the Consultative Council on  
Improvement of Investment Climate under the President of the Republic of  
Tajikistan**

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N	Acts	Date and number of the document
1	Approval of the Action Plan of the Government of the Republic of Tajikistan on the improvement of the indicators of the "Doing Business" rankings of the World Bank with the decision of the Government of the Republic of Tajikistan	May 3, 2014 №300.
2	Approval of the Action Plan of the Government of the Republic of Tajikistan on Improvement of Investment Climate in Tourism by Resolution of the Government of the Republic of Tajikistan.	May 3, 2014 №301.
3	Approval of the 13 <sup>th</sup> Session of the Consultative Council's Protocol on Improvement of Investment Climate under the President of the Republic of Tajikistan (date of the meeting on May 30, 2014)	June 7, 2014
4	In the context of the economic and investment forum Dushanbe - 2014 under the slogan "Entrepreneurship - the engine of the economy" has been signed :	
	<ul style="list-style-type: none"> <li>• A Memorandum of understanding between the State Committee on Investments and State Property Management of the Republic of Tajikistan and Singapore's Methanol Institute on cooperation and partnership</li> </ul>	October 15, 2014
	<ul style="list-style-type: none"> <li>• A Memorandum of cooperation between the Ministry</li> </ul>	

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of Health and Social Protection of the Republic of Tajikistan and the Medical Quality Association of the Russian Federation to develop medical education system on PPP approach	October 15, 2014
<ul style="list-style-type: none"> <li>• A Memorandum of understanding between the State Unitary Enterprise Tajik Aluminum Company and the Company Glinkor International Switzerland on cooperation and partnership.</li> </ul>	October 15, 2014
<ul style="list-style-type: none"> <li>• A Memorandum of cooperation between the State Committee on Investments and State Property Management of the Republic of Tajikistan and the Office of the Organization for Security and Cooperation in Europe (OSCE) on the establishment of business incubators.</li> </ul>	October 15, 2014
5 Approval of the Action Plan to implement the instructions of the President of the Republic of Tajikistan, on the result of meetings with entrepreneurs and investors arising from the October 14, 2014	October 31, 2014
6 Adoption of the final document of the economic and investment forum Dushanbe-2014 "Entrepreneurship–engine of the economy"	October 29, 2014
7 Approval the 1961 Hague Convention (Apostille Convention) on the abolition of legalization of official documents by the Parliament of the Republic of Tajikistan	October 29, 2014
8 Approval the 14 <sup>th</sup> Session of the Consultative Council's Protocol on the Improvement of Investment Climate under the President of the Republic of Tajikistan (date of the meeting on November 17, 2014)	November 28, 2014
9 Approval of the Action Plan of the Government of the Republic of Tajikistan to improve the business and investment climate in the insurance sector	December 31, 2014, №788.

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